

# **New York State Statement of Updated Annual Information**

**Pursuant To Continuing Disclosure Agreements  
For FY 2017  
(Ended March 31, 2017)**

**Andrew M. Cuomo, Governor**  
Robert F. Mujica Jr., Budget Director

**July 27, 2017**



## Introduction

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# **Section 1**

## **Extracts of Certain Sections**

### **From the**

## **Annual Information Statement**

### **of the State of New York**

The information contained in this Section 1 consists of extracts from the State's Annual Information Statement, dated June 20, 2017 (the "AIS").

The extracted information included in this Section 1 is not intended to and does not in any way update or change any of the information contained in the AIS.



## **Section 1: Subsection A**

### **“Prior Fiscal Years” Extract From AIS**

The extracted information included in this Subsection A is not intended to and does not in any way update or change any of the information contained in the AIS.

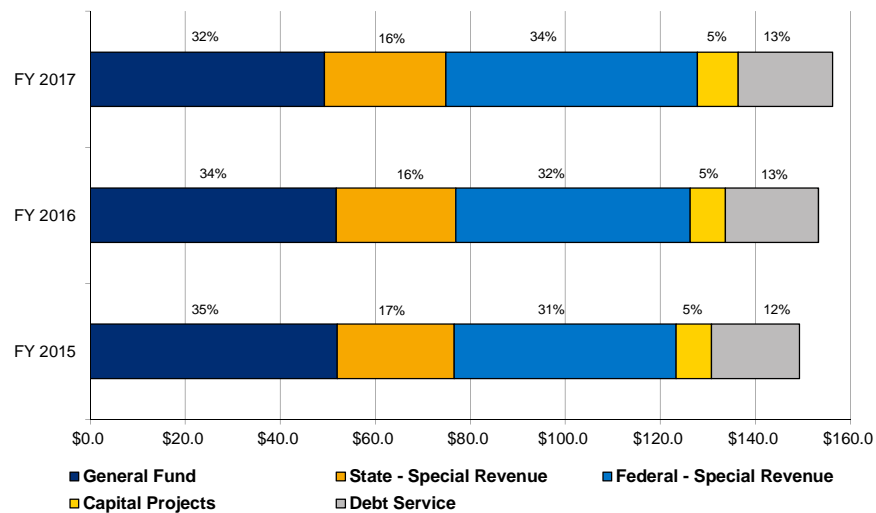
Capitalized terms used in this Subsection A and not otherwise defined shall have the meanings ascribed to them in the AIS.





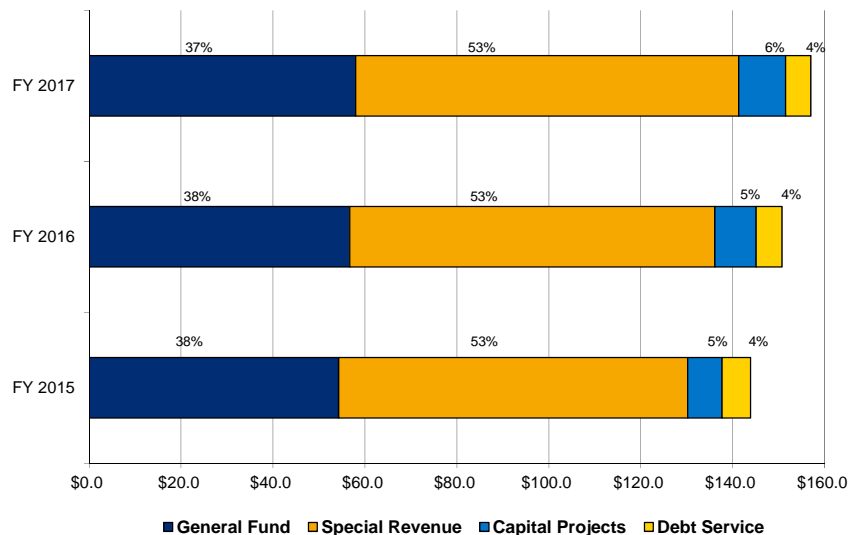
The following six charts show the composition of the State's governmental funds, State Operating Funds and the General Fund as of March 31, 2017. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

**Governmental Funds Receipts**  
State Fiscal Years 2015, 2016 and 2017  
(billions of dollars)



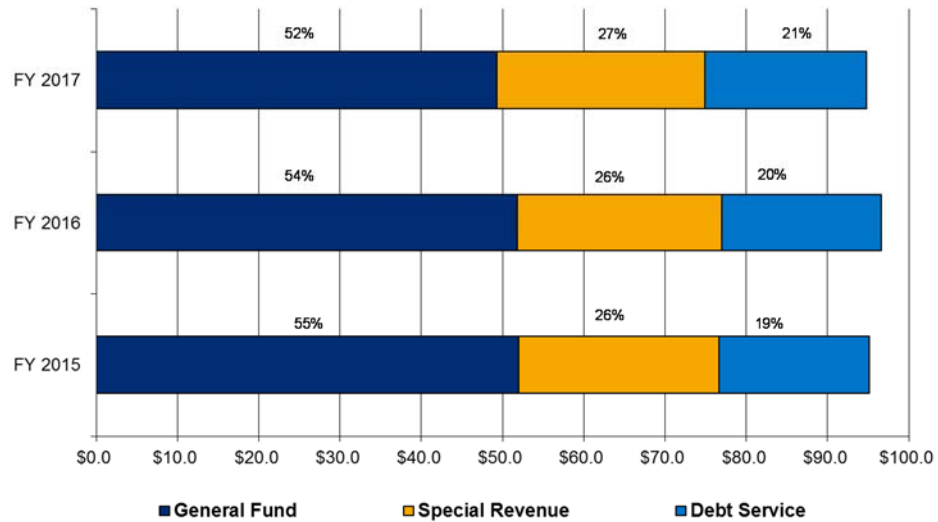
Note: Percentage total may not add due to rounding.

**Governmental Funds Disbursements**  
State Fiscal Years 2015, 2016 and 2017  
(billions of dollars)



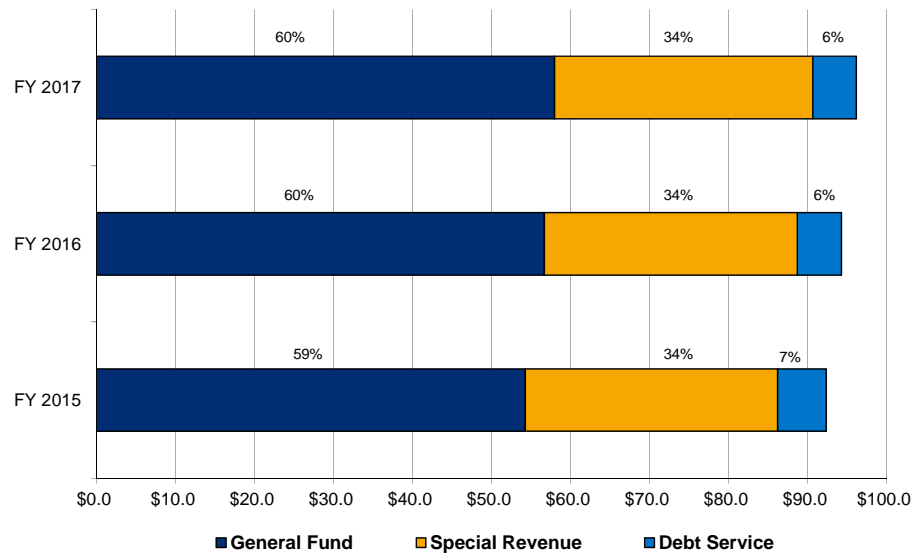
Note: Percentage total may not add due to rounding.

**State Operating Funds Receipts**  
State Fiscal Years 2015, 2016 and 2017  
(billions of dollars)



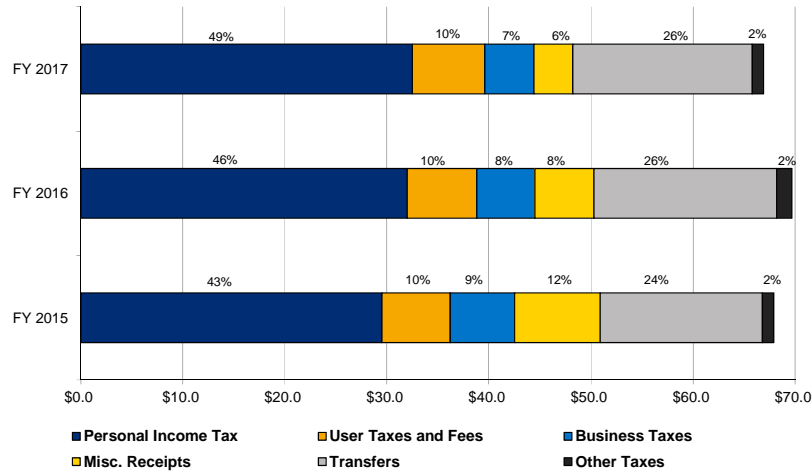
Note: Percentage total may not add due to rounding.

**State Operating Funds Disbursements**  
State Fiscal Years 2015, 2016 and 2017  
(billions of dollars)



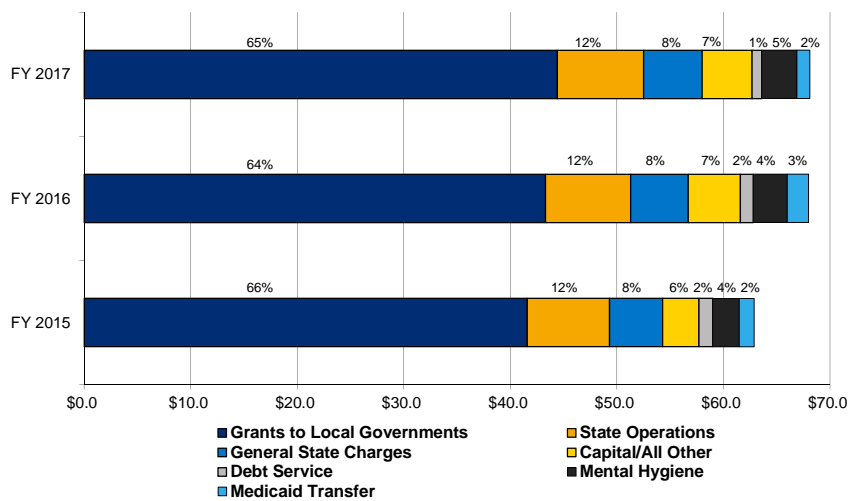
Note: Percentage total may not add due to rounding.

**General Fund Receipts and Transfers by Source**  
State Fiscal Years 2015, 2016 and 2017  
(billions of dollars)



Note: Percentage total may not add due to rounding.

**General Fund Disbursements and Transfers by Type**  
State Fiscal Years 2015, 2016 and 2017  
(billions of dollars)



Note: Percentage total may not add due to rounding.

The State reports its financial results on the cash basis of accounting, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2017 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2017 financial results included in this AIS are preliminary and unaudited.

## Cash-Basis Results for Prior Fiscal Years

### General Fund FY 2015 Through FY 2017

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required by law to be accounted for in another fund. It is the State's largest single fund and receives most State taxes and other resources not dedicated to particular purposes. General Fund moneys are also transferred to other funds, primarily to support certain State share Medicaid payments, capital projects and debt service payments in other fund types. In some cases, the fiscal year results provided below may exclude certain timing-related transactions which have no net impact on operations.

In the cash basis of accounting, the State defines a balanced budget in the General Fund as (a) the ability to make all planned payments anticipated in the Financial Plan, including tax refunds, without the issuance of deficit bonds or notes or extraordinary cash management actions, (b) the restoration of the balances in the Tax Stabilization Reserve and Rainy Day Reserve (together, the "rainy day reserves") to a level equal to or greater than the level at the start of the fiscal year, and (c) maintenance of other designated balances, as required by law.

The State has allowed limited spending growth to meet the demand for services. In addition, rainy day reserve fund balances have been supported and maintained. The following table summarizes General Fund results for the prior three fiscal years.

COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS FY 2015 THROUGH FY 2017 (millions of dollars)			
	FY 2015	FY 2016	FY 2017
<b>OPENING FUND BALANCE</b>	<u>2,235</u>	<u>7,300</u>	<u>8,934</u>
<b>Personal Income Tax <sup>(1)</sup></b>	29,485	31,957	32,535
<b>Consumption/User Taxes:</b>			
Sales and Use Tax <sup>(2)</sup>	6,084	6,242	6,483
Cigarette and Tobacco Tax	356	322	360
Alcoholic Beverage Taxes	251	255	258
<b>Subtotal</b>	<u>6,691</u>	<u>6,819</u>	<u>7,101</u>
<b>Business Taxes:</b>			
Corporation Franchise Tax	2,990	3,763	2,476
Corporation and Utilities Taxes	577	594	538
Insurance Taxes	1,375	1,419	1,410
Bank Tax <sup>(3)</sup>	1,323	(129)	337
<b>Subtotal</b>	<u>6,265</u>	<u>5,647</u>	<u>4,761</u>
<b>Other Taxes:</b>			
Estate and Gift Taxes	1,109	1,521	1,091
Pari-mutuel Tax	18	17	16
Other Taxes	1	2	3
<b>Subtotal</b>	<u>1,128</u>	<u>1,540</u>	<u>1,110</u>
<b>Miscellaneous Receipts &amp; Federal Grants</b>	8,412	5,842	3,813
<b>Transfers from Other Funds:</b>			
PIT in excess of Revenue Bond debt service	8,659	10,159	10,275
Sales Tax in excess of Revenue Bond debt service	2,940	2,759	2,672
Sales Tax in Excess of LGAC Debt Service	2,632	2,729	2,870
All Other Transfers	1,709	2,224	1,758
<b>Subtotal</b>	<u>15,940</u>	<u>17,871</u>	<u>17,575</u>
<b>TOTAL RECEIPTS</b>	<u>67,921</u>	<u>69,676</u>	<u>66,895</u>
<b>Grants to Local Governments:</b>			
School Aid	18,415	20,133	21,017
Medicaid	11,677	12,117	12,178
All Other Local Aid	11,500	11,065	11,244
<b>State Operations:</b>			
<b>Personal Service</b>	5,806	6,011	6,065
<b>Non-Personal Service</b>	1,858	1,944	2,022
<b>General State Charges</b>	4,999	5,397	5,462
<b>Transfers to Other Funds:</b>			
In Support of Debt Service	1,297	1,196	924
In Support of Capital Projects	1,264	2,721	2,569
State Share Medicaid	1,419	2,036	1,239
Mental Hygiene Facilities	2,504	3,195	3,287
SUNY Operations	980	998	996
All Other Transfers	1,137	1,229	1,077
<b>Subtotal</b>	<u>8,601</u>	<u>11,375</u>	<u>10,092</u>
<b>TOTAL DISBURSEMENTS</b>	<u>62,856</u>	<u>68,042</u>	<u>68,080</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	<u>5,065</u>	<u>1,634</u>	<u>(1,185)</u>
<b>CLOSING FUND BALANCE</b>	<u>7,300</u>	<u>8,934</u>	<u>7,749</u>
Sources: NYS Office of the State Comptroller. Financial Plan categorical detail by NYS Division of the Budget.			
(1) Excludes personal income tax receipts that flow into the Revenue Bond Tax Fund in the first instance and are then transferred to the General Fund after debt service obligation is satisfied.			
(2) Excludes sales tax in excess of LGAC Debt Service and Sales Tax Revenue Bond Fund.			
(3) Reflects repeal of the bank tax, as part of corporate tax reform, beginning in tax year 2015.			

## **FY 2017**

The State ended FY 2017 in balance on a cash basis in the General Fund, based on preliminary, unaudited results. General Fund receipts, including transfers from other funds, totaled \$66.9 billion. General Fund disbursements, including transfers to other funds, totaled \$68.1 billion. The State ended FY 2017 with a General Fund balance of \$7.7 billion, a decrease of \$1.2 billion from FY 2016 results, mainly due to the change in Extraordinary Monetary Settlement funds on hand, including the planned transfer to pay for spending appropriated from capital projects funds (\$965 million). The decrease also reflects the use of balances, as planned, to fund: the costs of labor settlements reached in FY 2017 that covered current and prior contract periods (\$140 million); expenses related to the timing of FY 2016 payments (\$73 million); and disbursements from Community Projects Fund reappropriations (\$7 million).

## **FY 2016**

The State ended FY 2016 in balance on a cash basis in the General Fund. General Fund receipts, including transfers from other funds, totaled \$69.7 billion in FY 2016, an increase of \$1.8 billion (2.6 percent) from the prior fiscal year. General Fund disbursements, including transfers to other funds, totaled \$68.0 billion in FY 2016, an increase of \$5.2 billion (8.3 percent) from the prior fiscal year, including growth in the level of School Aid (\$1.7 billion), growth in General Fund transfers to support Capital Projects (\$1.5 billion), growth in local assistance for Medicaid combined with growth in the level of General Fund transfers to support other Medicaid funding (\$1.1 billion) and higher costs associated with operating mental hygiene facilities in lieu of reduced Federal revenue (\$691 million).

## **FY 2015**

The State ended FY 2015 in balance on a cash basis in the General Fund. Aside from variances due to the timing of Extraordinary Monetary Settlements, General Fund receipts and disbursements in FY 2015 were close to planned levels. The State made the maximum allowable deposit to its rainy day reserves at the close of the year. General Fund receipts, including transfers from other funds, totaled \$67.9 billion in FY 2015, an increase of \$6.1 billion (9.8 percent) from the prior year, reflecting the one-time receipt of Extraordinary Monetary Settlements with financial institutions. General Fund disbursements, including transfers to other funds, totaled \$62.9 billion in FY 2015, an increase of \$1.6 billion (2.6 percent).

## State Operating Funds FY 2015 Through FY 2017

State Operating Funds is composed of the General Fund, State special revenue funds and debt service funds. The State Operating Funds perspective is primarily intended as a measure of State-financed spending. Similar to the General Fund, spending growth in State Operating Funds in recent years has also been limited.

### FY 2017

State Operating Funds receipts totaled \$94.8 billion in FY 2017, a decrease of \$1.8 billion over the FY 2016 results. Disbursements totaled \$96.2 billion in FY 2017, an increase of \$1.9 billion or 2 percent from the FY 2016 results. The State ended FY 2017 with a State Operating Funds cash balance of \$11.6 billion.

### FY 2016

State Operating Funds receipts totaled \$96.6 billion in FY 2016, an increase of \$1.6 billion over the FY 2015 results. Disbursements totaled \$94.3 billion in FY 2015, an increase of \$1.9 billion from the FY 2015 results. The State ended FY 2016 with a State Operating Funds cash balance of \$12.6 billion.

### FY 2015

State Operating Funds receipts totaled \$95.0 billion in FY 2015, an increase of \$6.1 billion over the FY 2014 results. Disbursements totaled \$92.4 billion in FY 2015, an increase of \$1.8 billion from the FY 2014 results. The State ended FY 2015 with a State Operating Funds cash balance of \$9.9 billion.

<b>CASH FINANCIAL PLAN</b> <b>STATE OPERATING FUNDS BUDGET</b> <b>FY 2017</b> <b>(millions of dollars)</b>				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
<b>Opening Fund Balance</b>	<b>8,934</b>	<b>3,547</b>	<b>160</b>	<b>12,641</b>
<b>Receipts:</b>				
Taxes	45,507	8,101	19,381	72,989
Miscellaneous Receipts	3,813	17,487	458	21,758
Federal Receipts	0	(1)	73	72
<b>Total Receipts</b>	<b>49,320</b>	<b>25,587</b>	<b>19,912</b>	<b>94,819</b>
<b>Disbursements:</b>				
Local Assistance Grants	44,439	19,930	0	64,369
Departmental Operations:				
Personal Service	6,065	7,028	0	13,093
Non-Personal Service	2,022	3,527	38	5,587
General State Charges	5,462	2,172	0	7,634
Debt Service	0	0	5,514	5,514
Capital Projects	0	2	0	2
<b>Total Disbursements</b>	<b>57,988</b>	<b>32,659</b>	<b>5,552</b>	<b>96,199</b>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	17,575	7,733	3,609	28,917
Transfers to Other Funds	(10,092)	(476)	(17,985)	(28,553)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>7,483</b>	<b>7,257</b>	<b>(14,376)</b>	<b>364</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<b>(1,185)</b>	<b>185</b>	<b>(16)</b>	<b>(1,016)</b>
<b>Closing Fund Balance</b>	<b>7,749</b>	<b>3,732</b>	<b>144</b>	<b>11,625</b>
Source: NYS DOB.				



<b>CASH RESULTS</b> <b>STATE OPERATING FUNDS BUDGET</b> <b>FY 2016</b> <b>(millions of dollars)</b>				
	<b>General Fund</b>	<b>State Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>State Operating Funds Total</b>
<b>Opening Fund Balance</b>	7,300	2,472	118	9,890
<b>Receipts:</b>				
Taxes	45,963	8,266	19,050	73,279
Miscellaneous Receipts	5,842	16,926	487	23,255
Federal Receipts	0	0	73	73
<b>Total Receipts</b>	<u>51,805</u>	<u>25,192</u>	<u>19,610</u>	<u>96,607</u>
<b>Disbursements:</b>				
Local Assistance Grants	43,314	19,339	0	62,653
Departmental Operations:				
Personal Service	6,011	6,970	0	12,981
Non-Personal Service	1,944	3,621	37	5,602
General State Charges	5,397	2,055	0	7,452
Debt Service	0	0	5,598	5,598
Capital Projects	0	2	0	2
<b>Total Disbursements</b>	<u>56,666</u>	<u>31,987</u>	<u>5,635</u>	<u>94,288</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	17,871	8,631	4,007	30,509
Transfers to Other Funds	(11,376)	(761)	(17,940)	(30,077)
Bond and Note Proceeds	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<u>6,495</u>	<u>7,870</u>	<u>(13,933)</u>	<u>432</u>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<u>1,634</u>	<u>1,075</u>	<u>42</u>	<u>2,751</u>
<b>Closing Fund Balance</b>	<u><u>8,934</u></u>	<u><u>3,547</u></u>	<u><u>160</u></u>	<u><u>12,641</u></u>
Source: NYS DOB.				

**CASH RESULTS**  
**STATE OPERATING FUNDS**  
**FY 2015**  
**(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Total</b>
<b>Opening Fund Balance*</b>	<u>2,235</u>	<u>2,489</u>	<u>65</u>	<u>4,789</u>
<b>Receipts:</b>				
Taxes	43,569	8,193	17,899	69,661
Miscellaneous Receipts	8,410	16,381	510	25,301
Federal Receipts	<u>2</u>	<u>0</u>	<u>73</u>	<u>75</u>
<b>Total Receipts</b>	<u>51,981</u>	<u>24,574</u>	<u>18,482</u>	<u>95,037</u>
<b>Disbursements:</b>				
Local Assistance Grants	41,592	19,460	0	61,052
Departmental Operations:				
Personal Service	5,806	6,744	0	12,550
Non-Personal Service	1,858	3,710	39	5,607
General State Charges	4,999	2,034	0	7,033
Debt Service	0	0	6,183	6,183
Capital Projects	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
<b>Total Disbursements</b>	<u>54,255</u>	<u>31,949</u>	<u>6,222</u>	<u>92,426</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	15,940	7,767	4,681	28,388
Transfers to Other Funds	(8,601)	(409)	(16,888)	(25,898)
Bond and Note Proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Other Financing Sources (Uses)</b>	<u>7,339</u>	<u>7,358</u>	<u>(12,207)</u>	<u>2,490</u>
<b>Change in Fund Balance</b>	<u>5,065</u>	<u>(17)</u>	<u>53</u>	<u>5,101</u>
<b>Closing Fund Balance</b>	<u>7,300</u>	<u>2,472</u>	<u>118</u>	<u>9,890</u>

\*Note that the closing balance from FY 2014 for special revenue funds and debt service funds differs from the FY 2015 opening balance due to a fund reclassification, as the SUNY Dormitory Income Fund was reclassified from a debt service fund to a special revenue fund.

Source: NYS DOB.

## All Funds FY 2015 Through FY 2017

The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, special revenue funds, capital projects funds, and debt service funds. It is the broadest measure of State governmental activity, and includes spending from Federal funds and capital projects funds.

### FY 2017

All Funds tax receipts were \$301 million (-0.4 percent) lower than the prior year results, primarily attributable to a decline in business taxes (\$905 million) due to lower gross receipts and a year-over-year decline in other taxes (\$393 million) as a result of the continued phase-in of the estate tax cut enacted in 2014. Partly offsetting the annual decline were higher PIT receipts (\$510 million), which experienced relatively low growth due to weaker than anticipated estimated payments and withholding components, and an increase in Consumption/Use Taxes (\$487 million) consistent with anticipated levels. Miscellaneous receipts were \$674 million below the prior year, largely due to the timing associated with the receipt of one-time Extraordinary Monetary Settlement proceeds in FY 2016, including over \$1.3 billion from BNP alone. Federal grants were \$4.1 billion higher than FY 2016, consistent with the impact of the annual changes in Federal spending described in more detail below.

Through March 2017, All Funds spending was \$6.3 billion (4.2 percent) higher than FY 2016, which was comprised of higher spending for State Operating Funds (\$1.9 billion), Capital Projects Funds (\$1.2 billion), and Federal Operating Funds (\$3.2 billion).

State Operating Funds spending during FY 2017 was \$1.9 billion, or 2 percent, higher than total State Operating Funds spending during FY 2016. This increase was primarily attributable to the growth in School Aid (\$1 billion), Medicaid and EP (\$887 million), and transportation (\$232 million), all of which was consistent with budgeted growth levels. Agency operations grew by \$279 million, or 1.1 percent, reflecting the impact of retroactive collective bargaining agreements, which increased personal service costs, and budgeted growth in pension and health insurance expenses. Debt service spending in FY 2017 declined by \$85 million, or 1.5 percent, from FY 2016, which was due largely to the impact of pre-payment expenses over the multi-year period; of which, a greater share of such payment was made during FY 2016, thus driving an annual decline in base expenses for FY 2017. This decline was later mostly back-filled with additional pre-payments afforded by under-spending from other program areas.

School aid growth of \$1 billion from FY 2016 to FY 2017 was consistent with program growth budgeted on an annual basis. Annual growth in Medicaid spending (\$887 million) was consistent with initial spending projections, with the exception of an additional \$31 million increase to the Medicaid Global Cap to fund updated costs associated with minimum wage increases. In addition, significant levels of Medicaid spending moved from the General Fund to HCRA and from state operations categories to local assistance, with no net impact to overall spending estimates within the Financial Plan and Global Cap. Annual spending growth for transit aid was largely attributable to increased revenue pass-thru to MTA (\$116 million) and Metropolitan Mass Transportation Operating Assistance (MMTOA) (\$121 million).

Growth in agency operations (\$279 million) was due to higher personal service costs (\$112 million), which was primarily attributable to general salary increases that were agreed to as part of multiple retroactive collective bargaining settlements reached during FY 2017. In addition, higher annual fringe benefit expenses (\$182 million) reflected growth for pensions, including additional costs associated with legislation allowing for extra pension credits for eligible veterans meeting specific criteria in their application for such credits, and health insurance as a result of growth in utilization expenses and rate renewal costs.

Federal spending growth is largely driven by Medicaid and EP spending (\$4.2 billion), most significantly reflecting the escalating cost impact associated with various Federal health care transformation initiatives (including new spending for the EP), and several significant retroactive share and claiming adjustments from prior years that were effectuated during FY 2017. Significant Federal spending declines relative to FY 2016 were driven largely by Social Services (\$615 million), in part a result of claiming patterns, and Homeland Security (\$522 million), which related to the timing and approval of various project submissions.

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

## **FY 2016**

All Funds tax receipts were \$3.6 billion higher than prior year results, including PIT collections (\$3.3 billion) due to growth in extension payments attributable to tax year 2014 and estimated FY 2015 tax year payments, withholding, and final returns; other taxes (\$572 million) from extraordinary growth in large estate tax payments and New York City real estate transfer tax payments; and consumption/use taxes (\$340 million) primarily from an increase in taxable auto sales and food and lodging establishments, partly offset by a large, non-recurring refund. An annual decline in business taxes (\$619 million) primarily reflects the first year of corporate tax reform. Miscellaneous receipts were \$2.2 billion below the prior year due mainly to a larger amount of Extraordinary Monetary Settlement funds received in FY 2015 (\$1.3 billion) and a decline in SIF assessment reserves transferred to the State per the terms of legislation included in the FY 2014 Budget (\$750 million). The \$2.7 billion annual growth in Federal grants reflects the impact of spending variances, as described below, and other timing-related factors.

Through March 2016, All Funds spending was \$6.8 billion above the prior year, comprised of State Operating Funds (\$1.9 billion), Federal Operating Funds (\$3.5 billion), and Capital Projects Funds (\$1.4 billion). State Operating Funds local assistance growth includes increases in education (\$1.7 billion) mainly for school aid increases, health care (\$590 million), and social services (\$113 million); offset by decreases in Mental Hygiene agencies (\$277 million), DFS (\$143 million), higher education (\$137 million), and the impact of downward spending reclassifications to account for an increase in Medicaid payments to SUNY Hospitals (\$136 million). Higher agency operations' spending includes an additional institutional payroll (\$169 million) and higher PS costs in SUNY (\$125 million), State Police (\$47 million) and Judiciary (\$30 million), as well as budgeted fringe benefit cost increases for pension, health insurance, and litigation (\$419 million). The decline in debt service spending from the prior year (\$585 million) is largely due to the prepayment of FY 2016 costs in FY 2015. Federal spending growth includes increased spending for health care (\$3.7 billion), consistent with the impact of the ACA and new health care costs under the EP, and for education (\$472 million), partly offset by a spending decline in Homeland Security and Emergency Services due to lower disaster-related costs (\$519 million). Growth in capital projects spending is primarily attributable to the capital infrastructure projects funded with Extraordinary Monetary Settlement funds (\$723 million), ESD (\$240 million) for Buffalo Billion projects, and projects related to State and Municipal facilities (\$166 million).

## FY 2015

All Funds tax receipts through March 2015 reflect annual growth in all major tax categories, including PIT (\$749 million), primarily due to growth in withholding and current estimated payments; consumption/use taxes (\$286 million) due to an increase in taxable purchases; business taxes (\$244 million) related to higher bank audits; and the payroll tax assessed on businesses located within the MTA region (\$66 million). The year-over-year increase of \$5.2 billion in miscellaneous receipts is largely attributable to \$4.1 billion in additional fines, penalties, and forfeitures (including Extraordinary Monetary Settlements paid to the State from financial institutions); a \$741 million increase in business assessments (including \$750 million of SIF assessment reserves transferred to the State pursuant to legislation included in the FY 2014 Enacted Budget); higher bond proceeds receipts to finance Capital Projects (\$479 million); and higher abandoned property collections (\$120 million). These increases are offset by lower Tribal State Compact Revenue (\$321 million) due to the lump sum payments received from the tribal nations immediately following the FY 2014 agreements; a one-time FY 2014 receipt from the State of New York Mortgage Agency (SONYMA) (\$104 million) from excess Mortgage Insurance Fund reserves; and the continued phase-out of the temporary utility assessment (\$178 million). The \$4.8 billion increase in Federal grants is a result of increased Federal program spending, as described in greater detail below.

Through March 2015, All Funds spending increased by \$6.4 billion over the prior year, derived from a \$1.8 billion increase in State Operating Funds spending, a \$4.8 billion increase in Federal Operating Funds spending, and a \$204 million decrease in Capital Projects Funds spending. The increase in State Operating Funds spending is mainly due to \$1.6 billion in higher local assistance spending. The local assistance growth includes higher spending for education (\$1.3 billion) and health care (\$211 million). The \$368 million increase in operational spending is derived from growth in executive-controlled agencies (\$164 million), mainly attributable to the FY 2015 2 percent salary increase and higher correctional facility expenses, primarily overtime and inmate medical and

prescription drug cost; higher fringe benefit costs (\$86 million); increased Judiciary spending (\$80 million); and higher SUNY spending (\$32 million). Lower debt service spending in FY 2015 is attributable to the continued practice of paying debt service obligations due in future years. The Federal Operating Funds spending increase is primarily attributable to \$5.2 billion in higher health care spending as a result of both expanded Medicaid coverage under the ACA, and DSRIP/IAAF payments associated with the recently approved Medicaid waiver. In addition, homeland security spending was \$437 million higher, due mainly to a lump-sum pass-through payment to LIPA. Spending declined in the areas of education (\$494 million), due to administrative delays in claims submitted by school districts (primarily New York City), and social welfare (\$213 million), mainly due to higher payments occurring in FY 2014. Lower Capital Projects spending occurred in the areas of health care (\$322 million); parks and environment (\$179 million), due mainly to the timing of payments to EFC for the State Revolving Fund Loan program; and higher education (\$166 million). This lower spending is partially offset by additional transportation spending (\$393 million).

The All Governmental Funds balance through March 2015 was \$9.4 billion, \$5.3 billion higher than the March 2014 balance. This higher balance is attributable to a combination of a higher opening balance (\$159 million), growth in receipts (\$11.4 billion), increased financing from other sources (\$131 million), and higher spending (\$6.4 billion).

<b>CASH FINANCIAL PLAN</b> <b>ALL GOVERNMENTAL FUNDS</b> <b>FY 2017</b> <b>(millions of dollars)</b>					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
<b>Opening Fund Balance</b>	<b>8,934</b>	<b>3,607</b>	<b>(891)</b>	<b>160</b>	<b>11,810</b>
<b>Receipts:</b>					
Taxes	45,507	8,101	1,383	19,381	74,372
Miscellaneous Receipts	3,813	17,686	4,637	458	26,594
Federal Receipts	0	52,725	2,608	73	55,406
<b>Total Receipts</b>	<b>49,320</b>	<b>78,512</b>	<b>8,628</b>	<b>19,912</b>	<b>156,372</b>
<b>Disbursements:</b>					
Local Assistance Grants	44,439	68,294	3,604	0	116,337
Departmental Operations:					
Personal Service	6,065	7,659	0	0	13,724
Non-Personal Service	2,022	4,898	0	38	6,958
General State Charges	5,462	2,465	0	0	7,927
Debt Service	0	0	0	5,514	5,514
Capital Projects	0	2	6,552	0	6,554
<b>Total Disbursements</b>	<b>57,988</b>	<b>83,318</b>	<b>10,156</b>	<b>5,552</b>	<b>157,014</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	17,575	7,733	2,751	3,609	31,668
Transfers to Other Funds	(10,092)	(2,262)	(1,392)	(17,985)	(31,731)
Bond and Note Proceeds	0	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>7,483</b>	<b>5,471</b>	<b>1,359</b>	<b>(14,376)</b>	<b>(63)</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<b>(1,185)</b>	<b>665</b>	<b>(169)</b>	<b>(16)</b>	<b>(705)</b>
<b>Closing Fund Balance</b>	<b>7,749</b>	<b>4,272</b>	<b>(1,060)</b>	<b>144</b>	<b>11,105</b>
Source: NYS DOB.					

<b>CASH RESULTS</b> <b>ALL GOVERNMENTAL FUNDS</b> <b>FY 2016</b> <b>(millions of dollars)</b>					
	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>All Funds Total</b>
<b>Opening Fund Balance</b>	7,300	2,661	(724)	118	9,355
<b>Receipts:</b>					
Taxes	45,963	8,266	1,394	19,050	74,673
Miscellaneous Receipts	5,842	17,117	3,822	487	27,268
Federal Receipts	0	49,105	2,146	73	51,324
<b>Total Receipts</b>	<b>51,805</b>	<b>74,488</b>	<b>7,362</b>	<b>19,610</b>	<b>153,265</b>
<b>Disbursements:</b>					
Local Assistance Grants	43,314	64,502	2,498	0	110,314
Departmental Operations:					
Personal Service	6,011	7,586	0	0	13,597
Non-Personal Service	1,944	4,994	0	37	6,975
General State Charges	5,397	2,342	0	0	7,739
Debt Service	0	0	0	5,598	5,598
Capital Projects	0	2	6,483	0	6,485
<b>Total Disbursements</b>	<b>56,666</b>	<b>79,426</b>	<b>8,981</b>	<b>5,635</b>	<b>150,708</b>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	17,871	8,670	2,895	4,007	33,443
Transfers to Other Funds	(11,376)	(2,786)	(1,443)	(17,940)	(33,545)
Bond and Note Proceeds	0	0	0	0	0
<b>Net Other Financing Sources (Uses)</b>	<b>6,495</b>	<b>5,884</b>	<b>1,452</b>	<b>(13,933)</b>	<b>(102)</b>
<b>Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements</b>	<b>1,634</b>	<b>946</b>	<b>(167)</b>	<b>42</b>	<b>2,455</b>
<b>Closing Fund Balance</b>	<b>8,934</b>	<b>3,607</b>	<b>(891)</b>	<b>160</b>	<b>11,810</b>
Source: NYS DOB.					



**CASH RESULTS**  
**ALL GOVERNMENTAL FUNDS**  
**FY 2015**  
**(millions of dollars)**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Debt Service Funds</b>	<b>All Funds Total</b>
<b>Opening Fund Balance</b>	2,235	2,364	(629)	65	4,035
<b>Receipts:</b>					
Taxes	43,569	8,193	1,373	17,899	71,034
Miscellaneous Receipts	8,410	16,557	3,961	510	29,438
Federal Receipts	2	46,531	2,030	73	48,636
<b>Total Receipts</b>	<u>51,981</u>	<u>71,281</u>	<u>7,364</u>	<u>18,482</u>	<u>149,108</u>
<b>Disbursements:</b>					
Local Assistance Grants	41,592	61,090	2,043	0	104,725
Departmental Operations:					
Personal Service	5,806	7,357	0	0	13,163
Non-Personal Service	1,858	5,080	0	39	6,977
General State Charges	4,999	2,338	0	0	7,337
Debt Service	0	0	0	6,183	6,183
Capital Projects	0	1	5,505	0	5,506
<b>Total Disbursements</b>	<u>54,255</u>	<u>75,866</u>	<u>7,548</u>	<u>6,222</u>	<u>143,891</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from Other Funds	15,940	7,767	1,419	4,681	29,807
Transfers to Other Funds	(8,601)	(2,885)	(1,492)	(16,888)	(29,866)
Bond and Note Proceeds	0	0	162	0	162
<b>Net Other Financing Sources (Uses)</b>	<u>7,339</u>	<u>4,882</u>	<u>89</u>	<u>(12,207)</u>	<u>103</u>
<b>Change in Fund Balance</b>	<u>5,065</u>	<u>297</u>	<u>(95)</u>	<u>53</u>	<u>5,320</u>
<b>Closing Fund Balance</b>	<u>7,300</u>	<u>2,661</u>	<u>(724)</u>	<u>118</u>	<u>9,355</u>

\*Note that the closing balance from FY 2014 for special revenue funds and debt service funds differs from the FY 2015 opening balance due to a fund reclassification, as the SUNY Dormitory Income Fund was reclassified from a debt service fund to a special revenue fund.

Source: NYS DOB.

## 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 expects to issue the Basic Financial Statements for FY 2017 by July 29, 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 is expected to be issued later in the calendar year.

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

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)						
Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052
March 31, 2014	172	806	369	(146)	1,201	(567)

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

The CAFR for the fiscal year ended March 31, 2016 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at [www.osc.state.ny.us](http://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](http://www.emma.msrb.org).

**Section 1: Subsection B**  
**“Capital Program and Financing Plan”**  
**Extract From AIS**

The extracted information included in this Subsection B is not intended to and does not in any way update or change any of the information contained in the AIS.

Capitalized terms used in this Subsection B and not otherwise defined shall have the meanings ascribed to them in the AIS.



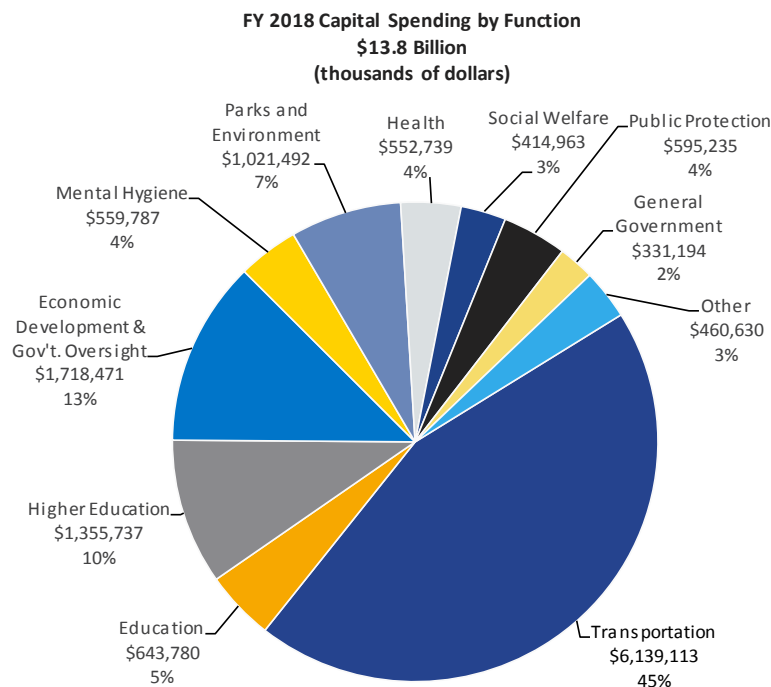
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. A copy of the Enacted Capital Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 474-8282, and it is also posted at [www.budget.ny.gov](http://www.budget.ny.gov).

## Capital Plan

The FY 2018 Enacted Capital Plan outlines the anticipated capital spending over a five-year period. The total commitment and disbursement levels reflect, among other things, projected capacity under the State's statutory debt limit, anticipated levels of Federal aid, and the timing of capital activity based on known needs and historical patterns. The following capital projects information relates to FY 2018.

## FY 2018 Capital Projects Spending

Spending on capital projects is projected to total \$13.8 billion in FY 2018, which includes \$683 million in “off-budget” spending. “Off-budget” spending refers to capital spending that occurs directly from bond proceeds held at public authorities, but still requires an enacted appropriation and bonding authorization. Overall, capital spending in FY 2018 is projected to increase by \$3.0 billion (28 percent) from FY 2017.



In FY 2018, transportation capital spending is projected to total \$6.1 billion, which represents 45 percent of total capital spending, with economic development comprising the next largest share at 13 percent. As a share of total capital spending, higher education capital spending represents 10 percent, while parks and the environment capital spending represents 7 percent and health care capital spending represents 4 percent. The remaining 21 percent is comprised of spending for mental hygiene, social welfare, public protection, education, general government, and all other, which includes Special Infrastructure Account Investments, such as the Thruway Stabilization Program.

Transportation capital spending is projected to increase by \$785 million (15 percent) in FY 2018 due to the implementation of the multi-year DOT and MTA capital plans.

Parks and environment capital spending is estimated to increase by \$177 million (21 percent) in FY 2018 reflecting spending from the enacted \$2.5 billion Clean Water Infrastructure Act, the continuation of a \$300 million EPF, as well as spending from the State Superfund and SPIF.

Economic development and government oversight capital spending is projected to increase by \$686 million (66 percent). This spending reflects the continued implementation of programs created to promote regional economic development including spending for the Buffalo Billion Program, the Life Sciences Initiative, the Upstate Revitalization Initiative, Regional Economic Development Councils, and SUNY and CUNY 2020 Challenge Grants.

Capital spending for health care is projected to increase by \$447 million (422 percent) in FY 2018. The increase is due to anticipated grant awards for the Health Care Restructuring Program, expected in FY 2018, as well as the phase-in of spending related to the Health Care Facility Transformation Program, including spending from \$500 million in new health care grants enacted in FY 2018.

Capital spending for social welfare is projected to increase by \$205 million (98 percent) due, primarily, to the implementation of the Affordable and Homeless Housing Program.

Education capital spending is projected to increase by \$574 million (819 percent) in FY 2018. The increase is due to spending from the Smart Schools Bond Act, which was approved by voters in November 2014.

Higher education capital spending is projected to increase by \$118 million (10 percent). This growth is primarily driven by additional maintenance investments in senior and community college projects.

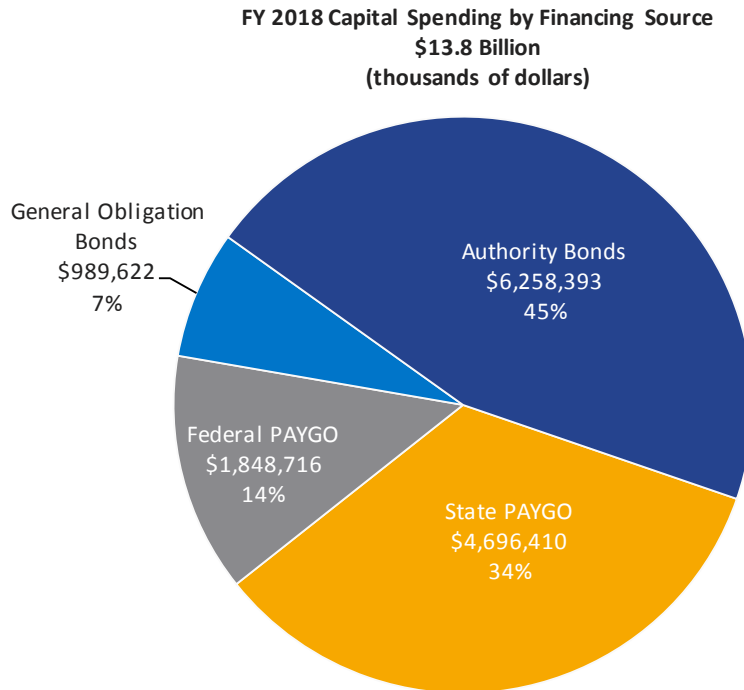
Capital spending for public protection is projected to increase by \$126 million (27 percent) in FY 2018, which is mainly attributable to spending on correctional facilities.

Mental hygiene capital spending is anticipated to increase by \$151 million (37 percent). The increase is primarily related to improvements at OMH's inpatient campuses, the construction of community residential sites, various mental health-related general hospital projects, and non-residential community programs.

General governmental capital spending is projected to increase by \$148 million (81 percent), which is mainly attributable to the construction of a cogeneration plant being undertaken by OGS, as well as ITS equipment purchases.

Capital spending for agencies in the All Other category is projected to decrease by \$361 million (44 percent). The decrease is related to a timing adjustment attributable to capital projects spending in FY 2018 and is partially offset by higher year-to-year spending on Special Infrastructure Account investments, including a contribution to the ongoing construction of the New NY Bridge and other capital projects for the New York State Thruway Authority.

## Financing FY 2018 Capital Projects Spending



In FY 2018, the State plans to finance 52 percent of capital projects spending with long-term bonds, most of which will be issued on behalf of the State through public authorities (45 percent) and the remainder of which will be issued as General Obligation bonds (7 percent). This measure of authority bonds does not include debt issued by authorities backed by their own non-State resources or on behalf of private clients. Federal aid is expected to fund 14 percent of the State's FY 2018 capital spending, primarily for transportation. State cash resources, including Extraordinary Monetary Settlements, will finance the remaining 34 percent of capital spending. Year-to-year, total PAYGO support is projected to increase \$812 million, with State PAYGO increasing by \$1.3 billion and Federal PAYGO support decreasing by \$477 million. Bond-financed spending is projected to increase by \$2.2 billion, with authority bond spending increasing by \$1.3 billion and General Obligation bond spending increasing by \$930 million.



## Financing Plan

New York State, including its public authorities, is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks sixth in the U.S. in state debt per capita, behind Connecticut, Massachusetts, Hawaii, New Jersey, and Washington<sup>1</sup>. As of March 31, 2017, State-related debt outstanding totaled \$50.7 billion excluding capital leases and mortgage loan commitments, equal to approximately 4.2 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

**State-supported debt** represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes General Obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the State Sales Tax Revenue Bond program. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had primarily financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities. The State has transitioned to using only three credits – General Obligation bonds, PIT Revenue Bonds, and Sales Tax Revenue Bonds.

**State-related debt** is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes General Obligation debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not reported as debt in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. Additionally, certain of the State's public authorities issue debt supported by non-State resources (i.e., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority

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<sup>1</sup> Debt per capita information is based on data made available by Moody's Investors Service, Inc. for other states. The debt per capita information for New York is based on State-related debt outstanding as represented in this AIS, which excludes debt that is issued by, or on behalf of, local governments and secured by State local assistance payments.

(TBTA), MTA revenue bonds or DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (i.e., DASNY's bonds issued for not-for-profit colleges, universities, and hospitals). This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

The issuance of General Obligation debt and debt of the New York Local Government Assistance Corporation (LGAC) is undertaken by OSC. All other State-supported and State-related debt is issued by the State's financing authorities (known as "Authorized Issuers" in connection with the issuance of PIT and Sales Tax Revenue Bonds) acting under the direction of DOB, which coordinates the structuring of bonds, the timing of bond sales, and decides which programs are to be funded in each transaction. The Authorized Issuers for PIT Revenue Bonds are NYSTA, DASNY, ESD, the Environmental Facilities Corporation (EFC), and the New York State Housing Finance Agency (HFA) and the Authorized Issuers for Sales Tax Revenue Bonds are NYSTA, DASNY, and ESD. Prior to any issuance of new State-supported debt and State-related debt, approval is required by the State Legislature, DOB, the issuer's board, and in certain instances, the Public Authorities Control Board (PACB) and the State Comptroller.

The State has never defaulted on any of its General Obligation indebtedness, PIT Revenue Bonds, Sales Tax Revenue Bonds, or its obligations under lease purchase or contractual obligation financing arrangements. The following table summarizes the State's outstanding debt obligations for each of the past three fiscal years.

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT <sup>1</sup>			
(millions of dollars)			
	FY 2015	FY 2016	FY 2017
<b>State-Supported Debt</b>	<b>51,867</b>	<b>50,229</b>	<b>49,622</b>
Personal Income Tax Revenue Bonds	29,848	31,268	31,783
Sales Tax Revenue Bonds	1,998	4,254	5,008
General Obligation	3,018	2,727	2,463
Local Government Assistance Corporation	2,345	2,058	1,758
Service Contract & Lease Purchase	6,551	5,488	4,758
Other Revenue Bonds	8,107	4,434	3,852
<b>Contingent-Contractual Obligation Financings</b>	<b>2,049</b>	<b>1,635</b>	<b>880</b>
DASNY/MCFFA - Secured Hospital Program	304	257	220
Tobacco Settlement Financing Corporation	1,745	1,378	660
<b>Moral Obligation Financings</b>	<b>2</b>	<b>2</b>	<b>1</b>
Housing Finance Agency	2	2	1
<b>Other State Financings</b>	<b>565</b>	<b>509</b>	<b>745</b>
MBBA Prior Year School Aid Claims	263	234	203
Capital Leases	232	206	475
Mortgage Loan Commitments	70	69	67
<b>State Guaranteed Debt</b>			
Job Development Authority	9	6	3
<b>TOTAL STATE-RELATED DEBT <sup>2</sup></b>	<b>54,492</b>	<b>52,381</b>	<b>51,251</b>

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2015 and FY 2016. Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2017.

<sup>1</sup>Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds. Amounts do not reflect accretion of capital appreciation bonds or premiums received.

<sup>2</sup>Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

## State-Supported Debt Outstanding

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

## State PIT Revenue Bond Program

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund.

In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) \$6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2017, approximately \$31.8 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately \$5.1 billion annually over the next four years, PIT coverage is expected to decline from 3.5 times in FY 2018 to 2.8 times in FY 2021. The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTF Revenue Bond program will be issued under the PIT Revenue Bond program or the Sales Tax Revenue Bond Program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with PIT Revenue bonds or Sales Tax Revenue Bonds, but are not counted towards debt service coverage. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

<b>PROJECTED PIT REVENUE BOND COVERAGE RATIOS</b> <b>FY 2018 THROUGH 2021</b> <b>(thousands of dollars)</b>				
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Projected RBTF Receipts	12,345,732	12,968,345	13,479,638	13,866,650
Projected New PIT Bonds Issuances	3,962,316	6,184,519	5,448,640	4,705,444
Projected Total PIT Bonds Outstanding	34,123,461	38,390,957	41,588,327	43,781,196
Projected Maximum Annual Debt Service	3,575,896	4,117,724	4,616,050	5,036,262
Projected PIT Coverage Ratio	3.5	3.1	2.9	2.8

## Sales Tax Revenue Bond Program

Legislation enacted in 2013 created the Sales Tax Revenue Bond program. This bonding program replicates certain credit features of PIT and LGAC revenue bonds and is expected to continue to provide the State with increased efficiencies and a lower cost of borrowing.

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

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

The legislation also authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance any capital purpose, including projects that were previously financed through the State's Mental Health Facilities Improvement Revenue Bond program and the DHBTF program. This allowed the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State's capital needs.

Sales Tax Revenue Bonds are used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2017, \$5.0 billion of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately \$1.3 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 4.9 times in FY 2018 to 3.6 times in FY 2021, as shown in the following chart. While DOB routinely monitors the State's

debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the following projected coverage ratios.

<b>PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS</b> <b>FY 2018 THROUGH 2021</b> <b>(thousands of dollars)</b>				
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Projected Sales Tax Receipts	3,410,250	3,550,500	3,688,500	3,830,500
Projected New Sales Tax Bonds Issuances	1,288,078	1,326,720	1,366,521	1,407,517
Projected Total Sales Tax Bonds Outstanding	5,932,147	6,834,052	7,873,793	8,723,774
Projected Maximum Annual Debt Service	697,762	810,282	934,303	1,065,221
Projected Sales Tax Coverage Ratio	4.9	4.4	3.9	3.6

## General Obligation Financings

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term General Obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature. There is no constitutional limitation on the amount of long-term General Obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act imposed statutory limitations on all new State-supported debt issued on and after April 1, 2000. The State Constitution provides that General Obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including General Obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General Obligation debt is currently authorized for transportation, environment, housing and education purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects. Education-related bonds are issued to fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, these bonds will enable long-term

investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

Most General Obligation debt-financed spending in the Enacted Capital Plan is authorized under ten previously approved bond acts (five for transportation, four for environmental and recreational programs and one for education purposes). The majority of projected general obligation bond-financed spending supports authorizations for the 2005 Rebuild and Renew New York Bond Act and the \$2 billion Smart Schools Bond Act, which was approved by voters in November 2014. DOB projects that spending authorizations from the remaining bond acts will be virtually depleted by the end of the Enacted Capital Plan.

As of March 31, 2017, approximately \$2.5 billion of General Obligation bonds were outstanding. See “Exhibit B — State-Related Bond Authorizations” for information regarding the levels of authorized, authorized but unissued, and outstanding General Obligation debt by bond act.

The State Constitution permits the State to undertake short-term General Obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANS), and (ii) proceeds from the sale of duly authorized but unissued General Obligation bonds, by issuing bond anticipation notes (BANs). General Obligation TRANS must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State’s ability to issue general obligation TRANS that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to General Obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for General Obligation bond financing.

### **New York Local Government Assistance Corporation**

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State’s annual issuance of general obligation TRANS that mature in the same State fiscal year that they are issued (“seasonal borrowing”). The legislation also dedicated revenues equal to one cent of the State’s four cent sales and use tax to pay debt service on these bonds. As of July 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of \$4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance, with the final debt service payment on April 1, 2025. As of March 31, 2017, approximately \$1.8 billion of LGAC bonds were outstanding.

The LGAC legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency



or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRAns (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in the past to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, \$170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the 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 bonds issued by the City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The Enacted Budget includes a local assistance appropriation of \$170 million from the Local Government Assistance Tax Fund to the City.

## **State-Supported Lease-Purchase and Other Contractual-Obligation Financings**

Prior to the 2002 commencement of the State's PIT Revenue Bond program, public authorities or municipalities issued other lease purchase and contractual-obligation debt. These types of debt, where debt service is payable from moneys received from the State and is subject to annual State appropriation, are not general obligations of the State.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel-related taxes, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2020, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates. The State currently has no plans to issue lease-purchase or other contractual-obligation financings.



## **Dedicated Highway and Bridge Trust Fund Bonds**

DHBTF bonds were issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees, subject to appropriation. As of March 31, 2017, approximately \$2.3 billion of DHBTF bonds were outstanding. The State currently has no plans to issue additional DHBTF bonds, but could utilize this credit in the future if market conditions warrant.

## **Mental Health Facilities Improvement Bonds**

Mental Health Facilities Improvement Bonds were issued to support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage for FY 2018 is currently projected at approximately 8.7 times for existing Mental Health Facilities Improvement Bonds. As of March 31, 2017, approximately \$754 million of Mental Health Facilities Improvement Bonds were outstanding. The State currently has no plans to issue additional Mental Health Facilities Improvement Bonds.

## **SUNY Dormitory Facilities Bonds**

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based financing credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") to finance the SUNY residence hall program in the future. The Facilities Revenue Bonds, unlike the Lease Revenue Bonds, do not include a SUNY general obligation pledge, thereby eliminating any recourse to the State with respect to the payment of the Facilities Revenue Bonds. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of any such extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, until these are defeased or are paid off to maturity, DOB will continue to count these bonds as outstanding State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. In recognition of the fact that debt service payments on the Lease Revenue Bonds are no longer supported by an appropriation, the debt service payments on such Lease Revenue Bonds in the approximate annual amount of \$60 million is not included in State debt service payments reported in this AIS. Annual debt service related to the Lease Revenue Bonds was \$65 million in FY 2017. As of March 31, 2017, approximately \$650 million of Lease Revenue Bonds were outstanding. On April 27, 2017, \$226 million of Lease Revenue Bonds were refunded with Facilities Revenue Bonds, resulting in \$424 million of Lease Revenue Bonds remaining

outstanding. Annual debt service payments on the remaining Lease Revenue Bonds is projected to be \$50 million in FY 2018, \$44 million in FY 2019, \$39 million in FY 2020, and \$36 million in FY 2021.

## **State-Related Debt Outstanding**

State-related debt is a broader measure of debt that includes State-supported debt, as discussed above, and contingent-contractual obligations, moral obligations, State-guaranteed debt and other debt.

## **Contingent-Contractual Obligation Financing**

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for General Obligation bonds, all payments are subject to annual appropriation. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospital Program (described below) resulted in the State paying approximately \$30 million of debt service payments in FY 2017.

## **Secured Hospital Program**

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2017, there was approximately \$220 million of bonds outstanding for this program. See “Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program” herein for more information.

## **Tobacco Settlement Financing Corporation (TSFC)**

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State’s contractual payments will be required, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million).

The bonds carried a final nominal maturity of 19 years, but were retired over 14 years, based on optional redemptions. As of March 31, 2017, approximately \$660 million of TSFC bonds were outstanding, however based on the 2017 MSA payment, there were sufficient funds, including debt service reserve funds, to retire all remaining TSFC bonds, which redemption occurred on June 1, 2017. The State was never called upon to make any payment, pursuant to the contingency contract on the TSFC bonds.

## **Moral Obligation Financings**

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer's debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling \$162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2017. As of March 31, 2017, approximately \$1 million of moral obligation debt was outstanding.

## **State-Guaranteed Financings**

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA's loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately \$42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in order to restructure and improve JDA's capital finances. As of March 31, 2017, JDA had approximately \$3 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2018.

## Other State Financings

Other State financings relate to the issuance of debt by a public authority, including capital leases, mortgage loan commitments and MBBA prior year school aid claims. Regarding the MBBA prior year school aid claims, the municipality assigns specified State and local assistance payments it receives to the issuer or the bond trustee to ensure that debt service payments are made. The State has no legal obligation to make any debt service payments or to continue to appropriate local assistance payments that are subject to the assignment.

## Borrowing Plan

STATE DEBT ISSUANCES BY FINANCING PROGRAM					
(millions of dollars)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Personal Income Tax Revenue Bonds	1,978	3,962	6,184	5,449	4,705
Sales Tax Revenue Bonds	1,089	1,288	1,327	1,366	1,408
General Obligation Bonds	-	990	480	385	299
<b>Total Issuances</b>	<u>3,067</u>	<u>6,240</u>	<u>7,991</u>	<u>7,200</u>	<u>6,412</u>
Source: NYS DOB.					

Debt issuances totaling \$6.2 billion are planned to finance new capital project spending in FY 2018, an increase of \$3.2 billion (103 percent) from FY 2017, that includes large capital programs for healthcare and the Smart Schools Bond Act that are expected to begin spending in FY 2018. It is anticipated that the State will finance these capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds in FY 2018.

The bond issuances are expected to finance capital commitments for transportation infrastructure (\$1.9 billion), education (\$1.5 billion), mental hygiene and health care facilities (\$786 million), economic development (\$1.1 billion), the environment (\$584 million), and State facilities and equipment (\$397 million).

Over the next four years, new debt issuances are projected to total \$27.8 billion. New issuances are primarily for transportation infrastructure (\$8.4 billion), education facilities (\$6.7 billion), economic development (\$4.8 billion), the environment (\$2.6 billion), mental hygiene and health care facilities (\$3.5 billion), and State facilities and equipment (\$1.8 billion). Assuming an issuance plan consistent with the prior table, the State projects debt outstanding levels through FY 2021 to be as follows:

PROJECTED DEBT OUTSTANDING BY CREDIT (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Personal Income Tax Revenue Bonds	31,783	34,123	38,391	41,588	43,781
Sales Tax Revenue Bonds	5,008	5,932	6,834	7,874	8,724
General Obligation Bonds	2,463	3,223	3,459	3,593	3,634
Local Government Assistance Corp.	1,758	1,466	1,241	900	543
Other Revenue Bonds	3,852	3,298	2,963	2,581	1,909
Service Contract & Lease Purchase	4,758	3,930	3,244	2,726	2,166
<b>TOTAL STATE-SUPPORTED</b>	<b>49,622</b>	<b>51,972</b>	<b>56,133</b>	<b>59,262</b>	<b>60,757</b>
Source: NYS DOB.					

## State-Related Debt Service Requirements

The following table presents the current and projected debt service (principal and interest) requirements on State related debt. State-related debt service is projected at \$6.1 billion in FY 2018, a decrease of \$283 million (4 percent) from FY 2017. This is due, in large part, to debt service prepayments which result in higher debt service requirements in FY 2017, when the payments occurred, and lower debt service costs in FY 2018. The State is contractually required to make debt service payments prior to bondholder payment dates in most instances, and may also elect to make payments earlier than contractually required. In FY 2018 and beyond, the State expects to use three principal bonding programs -- Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation Bonds -- to fund all bond-financed capital spending. Other bonding programs are expected to be phased out over time.

<b>ESTIMATED DEBT SERVICE REQUIREMENTS ON EXISTING STATE-RELATED DEBT BY CREDIT STRUCTURE <sup>12</sup></b>						
<b>(millions of dollars)</b>						
	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>Total</u></b>
Personal Income Tax Revenue Bonds	2,991	2,820	3,612	4,227	4,684	18,334
Sales Tax Revenue Bonds	569	643	753	707	1,000	3,672
General Obligation Bonds	380	335	385	408	425	1,933
Local Government Assistance Corporation	368	288	394	394	262	1,707
Other State-Supported Bonds	1,176	1,219	1,327	1,369	1,003	6,094
Tobacco Bonds <sup>3</sup>	768	676	0	0	0	1,444
All Other State-Related Bonds <sup>4</sup>	94	83	80	79	79	415
<b>Total Debt Service</b>	<b><u>6,346</u></b>	<b><u>6,064</u></b>	<b><u>6,551</u></b>	<b><u>7,184</u></b>	<b><u>7,453</u></b>	<b><u>33,598</u></b>

Source: NYS DOB.

<sup>1</sup> Estimates as of FY 2018 Enacted Budget Financial Plan.

<sup>2</sup> Reflects existing debt service on debt issued as of March 31, 2017 and projected debt service on assumed new debt issuances. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at assumed rates, which average 2.25%.

<sup>3</sup> Estimated debt service numbers are based on the 2017 MSA payment that was received on April 17, 2017. Based on the 2017 MSA payment and debt service reserve funds on hand, the tobacco bonds were fully retired on June 1, 2017.

<sup>4</sup> Excludes Mortgage Loan Commitments and Capital Leases.

## Interest Rate Exchange Agreements and Net Variable Rate Obligations

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$49.6 billion as of March 31, 2017 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$7.4 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2017, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

### Interest Rate Exchange Agreements

As of March 31, 2017, the State's Authorized issuers have a notional amount of \$1.7 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements subject to the statutory cap. Overall, the State's swap exposure is expected to decline from 3.4 percent in FY 2017 to 1.8 percent in FY 2021.

INTEREST RATE EXCHANGE CAP (millions of dollars)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Interest Rate Exchange Cap	7,443	7,796	8,420	8,889	9,114
Notional Amounts of Interest Rate Exchange Agreements	1,682	1,547	1,457	1,325	1,072
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.4%	3.0%	2.6%	2.2%	1.8%

Currently the State's swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of the London InterBank Offered Rate (LIBOR) for all State swaps). If the variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty off-set each other, the State is left with the synthetic fixed rate payment. The two variable rate components do not always precisely offset each other, which may result in an amount owed by the State in addition to the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at the time of issuance.

The State has no plans to increase its swap exposure.

## Net Variable Rate Obligations

The State's net variable rate exposure (including a policy reserve) is projected to average 1.2 percent of outstanding debt from FY 2017 through FY 2021. The debt that is charged against the variable rate cap represents the State's unhedged variable rate bonds. The variable rate bonds that are issued in connection with a fixed rate swap - \$1.7 billion - are not included in the variable rate cap, as discussed previously in the "Interest Rate Exchange Agreements" section.

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under its 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

DOB continues to evaluate the market for variable rate bonds, but has no plans to issue additional variable rate debt at this time.

VARIABLE RATE EXPOSURE (millions of dollars)					
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Variable Rate Exposure Cap	7,443	7,796	8,420	8,889	9,114
Current Unhedged Variable Rate Obligations	173	161	150	140	121
Additional Planned Variable Rate Exposure	0	0	0	0	0
Total Net Variable Rate Exposure	173	161	150	140	121
Net Variable Rate Exposure to Debt Outstanding	0.3%	0.3%	0.3%	0.2%	0.2%
Current Policy Reserve for LIBOR Swaps	589	541	510	464	375
Net Variable Rate Exposure (with Policy Reserve)	761	702	660	604	496
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	1.5%	1.4%	1.2%	1.0%	0.8%



## State Bond Caps and Debt Outstanding

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. In the Enacted Budget, statutory bond authorizations on State-supported debt were raised by \$10.5 billion across multiple programmatic purposes. The bonded indebtedness (and related capital spending) from the new authorizations is expected to occur over many years, and is counted against the State's statutory debt caps only when bonds are actually issued.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of General Obligation debt, increases in the authorization must be approved by the voters. See "Exhibit B - State Related Bond Authorizations" herein for additional information.

## For More Information

Additional information on the State's debt portfolio is available on DOB's public website ([www.budget.ny.gov](http://www.budget.ny.gov)). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; and State PIT Revenue Bond and Sales Tax Revenue Bond debt service and debt outstanding.



**Section 1: Subsection C**  
**“State Organization”**  
**(Including State Employment)**  
**Extract From AIS**

The extracted information included in this Subsection C is not intended to and does not in any way update or change any of the information contained in the AIS.

Capitalized terms used in this Subsection C and not otherwise defined shall have the meanings ascribed to them in the AIS.



## State Government Organization

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2018.

<u>Name</u>	<u>Office</u>	<u>Party Affiliation</u>	<u>First Elected</u>
Andrew M. Cuomo	Governor	Democrat	2010
Kathleen C. Hochul	Lieutenant Governor	Democrat	2014
Thomas P. DiNapoli	Comptroller	Democrat	2007
Eric T. Schneiderman	Attorney General	Democrat	2010

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Robert F. Mujica Jr.). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's General Obligation debt and most of its investments (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State General Obligation bonds and notes.

The State Legislature is presently composed of a 63-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2018. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current Coalition co-Leaders in the Senate are President Pro Tempore and Majority Leader John Flanagan (Republican) and co-Leader Jeffrey Klein (Independent Democratic Conference). Carl Heastie (Democrat) is the Speaker of the Assembly. The minority leaders are Andrea Stewart-Cousins (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

## Appropriations and Fiscal Controls

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of \$50,000 (or \$85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the availability of that appropriation as certified by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at \$1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund where there is specific statutory authorization to do so. In addition, moneys or other financial resources of a fund may be temporarily loaned to the General Fund, but only if such loan is repaid in full within four months, or the end of the fiscal year, whichever occurs first. Pursuant to authority contained in most State operations appropriations for FY 2018, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

## Investment of State Moneys

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANS may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. Some sources of the State's temporary loans include timing-related delays in the receipt from Federal funds and the sale of bonds used to finance capital projects, and unreimbursed costs related to the Office of Information Technology Services (ITS) Internal Service Funds. The total outstanding balance of loans from STIP at March 31, 2017 was \$2.759 billion, an increase of \$10 million from the outstanding loan balance of \$2.749 billion at March 31, 2016.

## Accounting Practices, Financial Reporting and Budgeting

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.



As of March 31, 2017, the State had approximately 181,400 FTE annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 181,416 positions at the end of FY 2018. The State workforce subject to direct Executive control is expected to total 118,481 full time equivalent positions at the end of FY 2018.

The State Public Employment Relations Board defines negotiating units for State employees. Governor's Office of Employee Relations (GOER) conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities, CUNY and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits.

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.

The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including CSEA, 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.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as “managerial” or “confidential” (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State’s Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of DOCCS.

<b>HISTORICAL SUMMARY OF EXECUTIVE BRANCH ANNUAL SALARIED FTEs ALL FUNDS</b>		
<b>Date</b>	<b>Subject to Direct Executive Control</b>	<b>Grand Total</b>
3/31/2008	137,707	195,266
3/31/2009	136,517	195,347
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802
3/31/2014	118,492	180,041
3/31/2015	117,807	179,620
3/31/2016	117,862	180,220
3/31/2017	117,909	181,438
*Reflects a payroll prior to fiscal year-end due to concurrent implementation of the State's Statewide Financial System (SFS) which resulted in anomalies to the accounting of FTEs with the actual FY 2012 year-end payroll.		

<b>WORKFORCE SUMMARY</b> <b>ALL FUNDS</b> <b>FY 2016 THROUGH FY 2018</b>			
	<b>FY 2016</b> <b>Actuals</b> <b>(03/31/16)</b>	<b>FY 2017</b> <b>Actuals</b> <b>(03/31/17)</b>	<b>FY 2018</b> <b>Estimate</b> <b>(03/31/18)</b>
<b>Major Agencies</b>			
Children and Family Services, Office of	2,842	2,932	2,965
Corrections and Community Supervision, Department of	29,094	29,191	29,254
Education Department, State	2,700	2,590	2,692
Environmental Conservation, Department of	2,900	2,956	2,945
Financial Services, Department of	1,351	1,325	1,382
General Services, Office of	1,643	1,755	1,805
Health, Department of	4,898	4,852	5,082
Information Technology Services, Office of	3,596	3,486	3,406
Labor, Department of	2,880	2,861	2,992
Mental Health, Office of	14,391	14,221	13,903
Motor Vehicles, Department of	2,163	2,184	2,256
Parks, Recreation and Historic Preservation, Office of	1,751	1,752	1,749
People with Developmental Disabilities, Office of	18,963	18,959	18,630
State Police, Division of	5,435	5,645	5,711
Taxation and Finance, Department of	4,249	3,946	3,978
Temporary and Disability Assistance, Office of	1,868	1,973	2,026
Transportation, Department of	8,419	8,487	8,453
Workers' Compensation Board	1,093	1,122	1,165
<b>Subtotal - Major Agencies</b>	<b>110,236</b>	<b>110,237</b>	<b>110,394</b>
<b>Minor Agencies</b>	<b>7,626</b>	<b>7,672</b>	<b>8,087</b>
<b>Subtotal - Subject to Direct Executive Control</b>	<b>117,862</b>	<b>117,909</b>	<b>118,481</b>
<b>University Systems</b>			
City University of New York	13,681	13,635	13,549
State University Construction Fund	143	144	152
State University of New York	44,250	45,316	44,732
<b>Subtotal - University Systems</b>	<b>58,074</b>	<b>59,095</b>	<b>58,433</b>
<b>Independently Elected Agencies</b>			
Audit and Control, Department of	2,508	2,647	2,663
Law, Department of	1,776	1,787	1,839
<b>Subtotal - Independently Elected Agencies</b>	<b>4,284</b>	<b>4,434</b>	<b>4,502</b>
<b>Grand Total</b>	<b>180,220</b>	<b>181,438</b>	<b>181,416</b>
Source: NYS DOB, as provided with the FY 2018 Enacted Budget Report published in May 2017.			



**Section 1: Subsection D**  
**“State Retirement System”**  
**Extract From AIS**

The extracted information included in this Subsection D is not intended to and does not in any way update or change any of the information contained in the AIS.

Capitalized terms used in this Subsection D and not otherwise defined shall have the meanings ascribed to them in the AIS.



## General

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

Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2016, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2016 and is available on the OSC website at the following link: [www.osc.state.ny.us/retire/publications/](http://www.osc.state.ny.us/retire/publications/). Additionally, available at the OSC website are the System’s asset listing and audited financial statements for the fiscal year ended March 31, 2016. For the fiscal year ended March 31, 2017, the System’s audited financial statements will be available on the OSC website by July 31, 2017, and the NYSLRS CAFR and asset listing will be available by September 30, 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 2016 and benefit plan booklets describing how each of the System’s tiers works are all available and can be accessed at [www.osc.state.ny.us/retire/publications/](http://www.osc.state.ny.us/retire/publications/).

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

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

The System engages an independent auditor to conduct an audit of the System's annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the System. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance companies or pension plans. The System also engages the services of an outside actuarial consultant to perform a statutorily required quinquennial review. At least once every five years, NYSLRS is also examined by DFS. The Comptroller has established within the Retirement System, the Pension Integrity Bureau, the purpose of which is to identify and prevent errors, fraud and abuse. The State Comptroller has also established an Office of Internal Audit to provide the Comptroller with independent and objective assurance and consulting services for the programs and operations of the Office of the State Comptroller, including programs and operations of NYSLRS. The Comptroller's Advisory Audit Committee, established in compliance with DFS regulations, meets three times per year to review the System's audited financial statements and the NYSLRS' CAFR, and to discuss a variety of financial and investment-related activities. Pursuant to DFS regulations, a fiduciary review of the System for the three year period ended March 31, 2015 was submitted on June 16, 2016.

## **The System**

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2016. There were 3,040 other public employers participating in the System, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2016, 647,399 persons were members of the System and 440,943 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

## **Comparison of Benefits by Tier**

The System's members are categorized into six tiers depending on date of membership. As of March 31, 2016, approximately 69 percent of ERS members were in Tiers 3 and 4 and approximately 78 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of "final average salary" – generally the average of an employee's three consecutive highest years' salary (for Tier 6 members, final average salary is determined by taking the average of an employee's five consecutive highest years' salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the



benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the System can be accessed at:

ERS Chart: [http://www.osc.state.ny.us/retire/employers/tier-6/ers\\_comparison.php](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](http://www.osc.state.ny.us/retire/employers/tier-6/pfrs_comparison.php)

## Contributions and Funding

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

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System's Actuary, which is currently 7.0 percent.<sup>2</sup>

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.0 percent assumed return) over a 5-year period.

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Final contribution rates for FY 2018 were released in September 2016. The average ERS rate decreased by 1.3 percent from 15.5 percent of salary in FY 2017 to 15.3 percent of salary in FY 2018, while the average PFRS rate increased by 0.4 percent from 24.3 percent of salary in FY 2017 to 24.4 percent of salary in FY 2018. Information regarding

<sup>2</sup> During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). On September 4, 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent effective for FY 2017.

average rates for FY 2018 may be found in the 2016 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at: [www.osc.state.ny.us/retire/publications](http://www.osc.state.ny.us/retire/publications).

Legislation enacted in May 2003 realigned the System's billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2016, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from participating employers is \$2.7 million.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent and 2.33 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2016, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$136.4 million from the State and \$23.1 million from 40 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is \$354.9 million from the State and \$131.1 million from 113 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$562.9 million from the State and \$264.3 million from 131 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is \$777.9 million for the State and \$177.7 million from 99 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is \$653.1 million from the State and \$134.0 million from 86 participating employers; and the amortized amount receivable, including accrued interest for the 2016 amortization, is \$357.1 million from the State and \$67.1 million from 53 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provided certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns,

villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. There are 41 employers that are currently enrolled in the program. Employers are not required to amortize every year. As of March 31, 2016, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is \$215.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is \$182.8 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is \$134.1 million.

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The 2016 amounts are 12.5 percent for ERS and 20.5 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015, 3.31 percent for FY 2016 and 2.63 percent for FY 2017). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. The total State payment (including Judiciary) due to NYSLRS for FY 2017 was \$2.365 billion. The State opted not to amortize under the Contribution Stabilization Program and has paid the bill in full as of March 1, 2017.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2018 is approximately \$2.468 billion. Multiple prepayments (including interest credit) have reduced this amount by \$2.232 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, 2016 was \$183.6 billion (including \$6.2 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), a decrease of \$5.8 billion or 3.0 percent from the FY 2015 level of \$189.4 billion. The decrease in net position restricted for pension benefits from FY 2015 to FY 2016 reflects, in large part, equity market performance.<sup>3</sup> The System's audited

<sup>3</sup> On May 23, 2017, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 11.42 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the fiscal year ended March 31, 2017.. This reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

Financial Statement reports a time-weighted investment rate of return of 0.19 percent (gross rate of return before the deduction of certain fees) for FY 2016.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 51 percent equities (38 percent domestic and 13 percent international); 20 percent bonds, cash and mortgages; 2 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 8 percent real estate, 3 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.<sup>4</sup>

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$225.7 billion on April 1, 2015 to \$232.9 billion (including \$112.7 billion for current retirees and beneficiaries) on April 1, 2016. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2016. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2016 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2016, 40 percent of the unexpected loss for FY 2015, 60 percent of the unexpected gain for FY 2014, and 80 percent of the unexpected gain for FY 2013. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from \$184.2 billion on April 1, 2015 to \$190.7 billion on April 1, 2016. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2016, calculated by the System's Actuary, was 90.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2016, calculated by the System's Actuary, was 90.2 percent.<sup>5</sup>

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.

<sup>4</sup> More detail on the CRF's asset allocation as of March 31, 2016, long-term policy allocation and transition target allocation can be found on page 91 of the NYSLRS' CAFR for the fiscal year ending March 31.

<sup>5</sup> 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.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans, and replaced the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans and Statement No. 50, Pension Disclosures. Statement No. 67 mandates more extensive note disclosure and required supplementary information. The implementation of Statement No. 67 will have no impact on the System's Statement of Fiduciary Net Position, which measures the System's net position, restricted for pension benefits or Statement of Changes in Fiduciary Net Position. The System adopted Statement No. 67 in the March 31, 2015 Financial Statements.

Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers, and Statement No. 50, Pension Disclosures. Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. Statement No. 68 requires employers participating in the plans to report expanded information concerning pensions in their financial statements, as well as their proportionate share of the Net Pension Liability effective for fiscal years beginning after June 15, 2014. The Net Pension Liability is a measure of the amount by which the Total Pension Liability exceeds a pension system's Fiduciary Net Position. Employers now have to recognize their proportionate share of the collective Net Pension Liability in their financial statements, as well as pension expense and deferred inflows and outflows.

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in August 2016, based on the System's measurement date of March 31, 2016. The Net Pension Liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

Detailed “Schedules of Employer Allocation” and “Schedules of Pension Amounts by Employer” can be found on the OSC website at the following link:

<https://www.osc.state.ny.us/retire/about-us/financialstatementsindex.php#cafr>.

The GASB 68 “Schedules of Employer Allocation” and “Schedules of Pension Amounts by Employer” as of March 31, 2016 have been posted to the OSC website.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "State Retirement System — Contributions and Funding" above.

<b>CONTRIBUTIONS AND BENEFITS</b> <b>NEW YORK STATE AND LOCAL RETIREMENT SYSTEM<sup>(1)</sup></b> <b>(millions of dollars)</b>					
Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid <sup>(3)</sup>
	All Participating Employers <sup>(1)(2)</sup>	Local Employers <sup>(1)(2)</sup>	State <sup>(1)(2)</sup>	Employees	
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,140	3,182	1,958	307	11,060

Sources: State and Local Retirement System.

<sup>(1)</sup> Contributions recorded include the full amount of unpaid amortized contributions.

<sup>(2)</sup> The actuarially determined contribution (ADC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

<sup>(3)</sup> Includes payments from Group Life Insurance Plan, which funds the first \$50,000 of any death benefit paid.

# **Section 1: Subsection E**

## **“Authorities and Localities”**

### **Extract From AIS**

The extracted information included in this Subsection E is not intended to and does not in any way update or change any of the information contained in the AIS.

Capitalized terms used in this Subsection E and not otherwise defined shall have the meanings ascribed to them in the AIS.





## Public Authorities

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs on their notes, bonds or other legislatively authorized financing structures from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. Since the State has no actual or contingent liability for the payment of this type of public authority indebtedness, it is not classified as either State-supported debt or State-related debt. Some public authorities, however, receive monies from State appropriations to pay for the operating costs of certain programs.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments that have been appropriated in a given year and are otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, in honoring such statutory arrangement for the redirection of local assistance payments, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefor in any given year.

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As of December 31, 2016 (with respect to Job Development Authority or “JDA” as of March 31, 2016), 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 \$180 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.

<b>OUTSTANDING DEBT OF CERTAIN AUTHORITIES<sup>(1)</sup></b> <b>AS OF DECEMBER 31, 2016<sup>(2)</sup></b> <b>(millions of dollars)</b>			
<b><u>Authority</u></b>	<b><u>State-Related Debt</u></b>	<b><u>Authority and Conduit</u></b>	<b><u>Total</u></b>
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
Thruway Authority	4,491	5,674	10,165
Triborough Bridge and Tunnel Authority	0	8,337	8,337
Long Island Power Authority <sup>(3)</sup>	0	7,451	7,451
Job Development Authority <sup>(2)</sup>	6	6,800	6,806
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
<b>TOTAL OUTSTANDING</b>	<b>48,872</b>	<b>131,276</b>	<b>180,148</b>
Source: Compiled by the Office of the State Comptroller from data submitted by the Public Authorities. Debt classifications by DOB.			
<sup>(1)</sup> 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.			
<sup>(2)</sup> All Job Development Authority (JDA) debt outstanding reported as of March 31, 2016. This includes \$6.8 billion in conduit debt issued by JDA's blended component units consisting of \$6.1 billion issued by New York Liberty Development Corporation (\$1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ), \$509 million issued by the Brooklyn Arena Local Development Corporation and \$167 million issued by the New York Transportation Development Corporation. In addition, JDA has \$6 million in State-guaranteed bonds outstanding.			
<sup>(3)</sup> Includes \$3.97 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.			

## Localities

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

## The City of New York

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Jay Olson, Investor Relations, (212) 788-5874, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

<b>DEBT OF NEW YORK CITY AND RELATED ENTITIES<sup>(1)</sup></b> <b>AS OF JUNE 30 OF EACH YEAR</b> <b>(millions of dollars)</b>							
Year	General Obligation Bonds	Obligations of TFA <sup>(1)</sup>	Obligations of STAR Corp. <sup>(2)</sup>	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other <sup>(3)</sup> Obligations	Total
2007	34,506	14,607	2,368	1,317	2,100	3,394	58,292
2008	36,100	14,828	2,339	1,297	2,067	2,556	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639

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

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

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

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

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

## Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 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 Enacted Budget 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 year ending 2016 and 2017, subject to Yonkers submitting a comprehensive financial plan that provides for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan has been submitted and approved by the State Director of the Budget.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Director of the Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality", is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal

accountability measures, and making available certain grants and loans. To date, the Restructuring Board is currently reviewing or has completed reviews for 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 59 local governments (10 counties, 11 cities, 20 towns, 18 villages) and 82 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2015. The vast majority of entities scored by OSC (93 percent) are classified in the “No Designation” category.

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

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

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

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

DEBT OF NEW YORK LOCALITIES <sup>(1)</sup> (millions of dollars)						
Locality Fiscal Year Ending	Combined New York City Debt <sup>(2)</sup>		Other Localities Debt <sup>(3)</sup>		Total Locality Debt <sup>(3)</sup>	
	Bonds	Notes	Bonds <sup>(4)</sup>	Notes <sup>(4)</sup>	Bonds <sup>(3)(4)</sup>	Notes <sup>(4)</sup>
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	0	36,110	7,369	105,646	7,369
2011	73,572	0	36,247	7,327	109,819	7,327
2012	77,354	0	36,699	7,194	114,053	7,194
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981

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

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.





# **Section 1: Subsection F**

## **“Economics and Demographics”**

### **Extract From AIS**

The extracted information included in this Subsection F is not intended to and does not in any way update or change any of the information contained in the AIS.

Capitalized terms used in this Subsection F and not otherwise defined shall have the meanings ascribed to them in the AIS.



The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2017.

## The U.S. Economy

For the fourth consecutive calendar year, the U.S. economy posted a weak first quarter, expanding 1.2 percent at an annual rate in the first quarter of calendar year 2017. Unusually warm winter temperatures reduced spending on electric and gas utilities and may have factored into a decline in apparel expenditures. A delay in the payout of a segment of federal tax refunds may have also played a part in constraining household spending, particularly among low income households who live paycheck to paycheck. It also appears likely that auto sales peaked in the fourth quarter of calendar year 2016. Finally, residual seasonality recently cited by the U.S. Bureau of Economic Analysis as reducing growth in the first quarter may also have played a role. Some of these factors are expected to reverse in the second quarter, boosting real U.S. GDP growth closer to 3 percent, with improving business investment, single-family construction, and export growth expected to support national economic growth for the remainder of 2017. On balance, the national economy is estimated to grow 2.1 percent in 2017, signaling a return to its post-recession average following subpar growth of 1.6 percent in 2016.

ECONOMIC INDICATORS FOR THE UNITED STATES (calendar year)						
	2012	2013	2014	2015	2016	2017 <sup>1</sup>
Gross Domestic Product						
Nominal (\$ billions)	\$16,155.3	\$16,691.5	\$17,393.1	\$18,036.7	\$18,569.1	\$19,359.8
Percent Change	4.1	3.3	4.2	3.7	3.0	4.3
Real (\$ billions)	\$15,354.6	\$15,612.2	\$15,982.3	\$16,397.2	\$16,662.1	\$17,018.0
Percent Change	2.2	1.7	2.4	2.6	1.6	2.1
Personal Income (\$ billions)	\$13,915.1	\$14,073.7	\$14,809.8	\$15,458.5	\$16,011.6	\$16,707.6
Percent Change	5.0	1.1	5.2	4.4	3.6	4.3
Nonagricultural Employment (millions)	134.2	136.4	138.9	141.8	144.3	146.5
Percent Change	1.7	1.6	1.9	2.1	1.8	1.5
Unemployment Rate (%)	8.1	7.4	6.2	5.3	4.9	4.6
Consumer Price Index (1982-84=100)	229.6	232.9	236.7	237.0	240.0	245.7
Percent Change	2.1	1.5	1.6	0.1	1.3	2.4
Sources: US Department of Commerce, Bureau of Economic Analysis; US Department of Labor, Bureau of Labor Statistics. Table reflects revisions by source agencies to figures for prior years.						
<sup>1</sup> As projected by the NYS DOB, based on National Income and Product Account data through March 2017.						

The unusual weather during the first calendar quarter of 2017 also likely accounts in part for recent national labor market fluctuations. Two consecutive months of private sector job gains above 200,000 during January and February 2017 were followed by an average monthly gain of 126,000 over the next three months. On average, the labor market added 161,000 jobs during the first five months of 2017, 9,000 below the 2016 average. Assuming weather patterns normalize, private job gains are expected to decelerate further as the expansion matures and labor market slack diminishes. Total nonagricultural employment growth of 1.5 percent is projected for 2017, a significant deceleration from 1.8 percent growth in 2016.

Consistent with a tightening labor market, average wage growth is expected to post its strongest year since the end of the Great Recession. Wage growth of 4.6 percent is projected for 2017. In contrast, growth in some of the non-wage components of personal income, such as interest income, has been weaker, consistent with weaker long term interest rates. On balance, overall personal income growth of 4.3 percent is estimated for 2017.

Recent data indicate that both the European and Chinese economies are improving, helping to support strong corporate earnings growth in the first quarter, the strongest since 2011 based on preliminary data. Indeed, in a reversal of recent trends, the domestic U.S. economy likely underperformed the rest of the global economy during the first three months of 2017. Consequently, the DOB projects that real U.S. exports will grow 3.8 percent in 2017, representing a significant improvement from the 0.4 percent growth observed in 2016, but still weak by historical standards.

Stabilizing energy prices have helped to relieve some of the inflationary pressure that had been building during 2016. Consequently, DOB expects consumer price inflation of 2.4 percent for 2017. Accordingly, DOB continues to expect only two short-term interest rate hikes in 2017. At the same time, longer term interest rates have retreated by more than 20 basis points as post-election hopes for accelerated policy-driven growth have receded. Although a flattening yield curve could restrain banking sector profits over the near-term, lower long-term interest rates support the continued recovery of the housing market, along with a long-awaited shift in preferences away from renting toward home ownership. Among newly formed households in the first quarter of 2017, the number of new homeowners exceeded the number of new renters for the first time since the fourth quarter of 2006. Real growth in residential investment is projected to be 5.6 percent for 2017.

The DOB baseline forecast does not account for potential future fiscal policy changes at the Federal level due to the substantial degree of uncertainty that exists at this time. However, the potential for major changes in Federal tax and expenditure policy represents both upside and downside risks to the Enacted Budget Financial Plan forecast. Policies that stimulate more public or private business investment than anticipated could result in stronger growth in both the near-term and the long-term, particularly if those investments raise productivity growth. If recent above-trend labor market gains are more representative of true underlying strength than assumed, employment and income growth could exceed the current forecast. A stronger than projected housing market could have a similar result.

On the negative side, policies that substantially widen the Federal budget deficit without enhancing productivity growth could result in both accelerating inflation and higher interest rates, which, in turn, could result in weaker than anticipated household and business investment spending. In addition, policies resulting in heightened international tensions could result in less global growth and diminished demand for U.S. exports relative to current projections. Similarly, any development that serves to undermine the upward momentum of the European and Chinese economies could result in weaker growth in U.S. exports, corporate profits, and equity market prices. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies continues to pose risks, particularly in light of the uncertainty stemming from the fiscal policy side.

## The New York Economy

New York State private sector employment growth has continued to decelerate against a backdrop of weak national and global growth. After 10 consecutive quarters of growth above 2 percent, the rate of private job gains fell to 1.9 percent and 1.8 percent in the second and third quarters of 2016, respectively. Preliminary data suggest that fourth quarter growth slowed even further to 1.4 percent. As a result, private sector job growth of 1.4 percent is expected for 2017, following 1.8 percent growth for 2016.

Since the 2016 presidential election, the anticipation of lower personal income tax rates at the Federal level has impacted both public debate and the private behavior of taxpayers, prompting a shifting of bonus payouts and other financial transactions out of calendar year 2016 and into calendar year 2017. Finance and insurance sector bonuses are estimated to have fallen 0.7 percent in FY 2017. However, underlying non-bonus wages are estimated to have grown by 4.3 percent. On balance, total State wages for FY 2017 are estimated to have grown by 3.6 percent.

In contrast to the start of calendar year 2016, the first quarter of 2017 saw strong financial sector revenues. IPOs rebounded, consistent with robust equity market and debt growth, after a significant number of IPOs had been withdrawn during the final quarter of 2016. Finance and insurance sector bonuses are expected to grow by 4.4 percent in FY 2018. Total State wages are expected to grow by 4.3 percent in FY 2018.

The anticipation of a lower capital gains tax rate effective for the 2017 tax year may also have induced taxpayers to defer certain financial transactions from the end of 2016 into the future in order to maximize their tax advantage. DOB now estimates a decline in positive capital gains realizations of 19.4 percent for the 2016 tax year. A moderate rebound in realizations of 12.5 percent is projected for the 2017 tax year.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. Under a still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. Finally,

with Federal tax policy in flux, and taxpayers strategically responding to anticipated changes in tax policy, the uncertainty surrounding the forecast for bonuses and various forms of taxable non-wage income is even further heightened. In particular, should substantial reductions in Federal tax rates for the nation's top income earners be enacted and scheduled to take effect January 1, 2018, yet another round of income shifting could ensue, creating downside risk to income and tax revenue estimates related to the 2017 tax year.

ECONOMIC INDICATORS FOR NEW YORK STATE (calendar year)					
	2013	2014	2015	2016	2017 <sup>1</sup>
Personal Income (\$ billions)	\$1,072.1	\$1,119.4	\$1,161.4	\$1,195.3	\$1,258.9
Percent Change	1.8	4.4	3.8	2.9	5.3
Nonagricultural Employment (thousands)	8,658.3	8,819.0	8,986.3	9,130.0	9,243.9
Percent Change	1.5	1.9	1.9	1.6	1.2
Unemployment Rate (%)	7.7	6.3	5.3	4.8	4.6
Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.					
<sup>1</sup> As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2017.					

New York is the fourth most populous state in the nation<sup>6</sup> and has a relatively high level of personal wealth. The State's economy is diverse, with a comparatively large share of the nation's financial activities, information, education, and health services employment, and a very small share of the nation's farming and mining activity. The State's location and its air transport facilities and natural harbors have made it an important hub for international commerce. Travel and tourism constitute an important part of the economy. Like the rest of the nation, New York has a declining proportion of its workforce engaged in manufacturing, and an increasing proportion engaged in service industries.

*Manufacturing:* Manufacturing employment continues to decline as a share of total State employment, as in most other states, and as a result, New York's economy is less reliant on this sector than in the past. However, it remains an important sector of the State economy, particularly for the upstate region, which hosts high concentrations of manufacturers of transportation and other types of equipment.

<sup>6</sup> Based on 2016 U.S. Census Bureau data, New York is the fourth most populous state in the nation, after California, Texas, and Florida.

*Trade, Transportation, and Utilities:* As defined under the North American Industry Classification System (NAICS), the trade, transportation, and utilities supersector accounts for the second largest component of State nonagricultural employment, but only the fifth largest when measured by wage share. This sector accounts for proportionally less employment and wages for the State than for the nation as a whole.

*Financial Activities:* New York City is the nation's leading center for banking and finance and, as a result, this is a far more important sector for the State than for the nation as a whole. Although this sector accounts for less than one-tenth of all nonagricultural jobs in the State, it contributes about one-fifth of total wages.

*Other Service Sectors:* The remaining service-producing sectors include information, professional and business services, private education and healthcare, leisure and hospitality services, and other services. These industries combined account for half of all nonagricultural jobs in New York. Information, education and health, and other services account for a higher proportion of total State employment than for the nation as a whole.

*Agriculture:* Farming is an important part of the economy in rural areas, although it constitutes only about 0.2 percent of total State output. Principal agricultural products of the State include milk and dairy products, greenhouse and nursery products, fruits, and vegetables. New York ranks among the nation's leaders in the production of these commodities.

*Government:* Federal, State, and local governments together comprise the third largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of about 40 percent of total State and local government employment.

THE 2016 COMPOSITION OF NONAGRICULTURAL EMPLOYMENT AND WAGES (percent)				
	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.5	0.1	1.0
Construction	4.0	4.7	4.2	5.0
Manufacturing	4.8	8.6	4.5	10.2
Trade, Transportation, and Utilities	16.7	18.9	12.2	15.7
Information	2.8	1.9	5.0	3.5
Financial Activities	7.6	5.7	19.9	9.3
Professional and Business Services	13.8	14.0	18.1	17.8
Educational and Health Services	20.8	15.7	14.4	13.5
Leisure and Hospitality	9.7	10.8	4.9	4.9
Other Services	4.3	3.9	3.0	3.2
Government	15.4	15.4	13.7	15.9
Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.				

The importance of the different sectors of the State's economy relative to the national economy is shown in the above table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Construction accounts for smaller shares of employment for the State than for the nation, while the combined service industries account for a larger share. The financial activities sector share of total wages is particularly large for the State relative to the nation. Thus, the State is likely to be less affected than the nation as a whole during an economic recession that is concentrated in manufacturing and construction, but likely to be more affected by any economic downturn that is concentrated in the services sector.



## Economic and Demographic Trends

In calendar years 1990 through 1998, the State's rate of economic growth was somewhat slower than that of the nation. In particular, during the 1990-91 recession and post-recession period, the economies of the State and much of the rest of the Northeast were more heavily damaged than the nation as a whole and were slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, State employment growth surpassed that of the nation, and in 2000 the rates were essentially the same. In 2001, the September 11th attack resulted in a downturn in New York that was more severe than for the nation as a whole. In contrast, the State labor market fared better than that of the nation as a whole during the most recent downturn that began in 2008, though New York experienced a historically large wage decline in 2009. The State unemployment rate was higher than the national rate from 1991 to 2004, but the gap between them closed by the middle of 2006, with the State rate falling below that of the nation for much of the Great Recession, and remaining below through the end of 2011. The State unemployment rate rose above the national rate in early 2012, but fell below yet again in May 2015, where it has remained for much of the period since.

The following table compares population change in the State and in the United States since 1960.

COMPARATIVE POPULATION FIGURES					
	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2016	19,745	1.9	6.1	323,128	4.7
Source: US Department of Commerce, Census Bureau.					

Total State nonagricultural employment has declined as a share of national nonagricultural employment. The following historical table compares these levels and the rate of unemployment for the State and the nation.

NONAGRICULTURAL EMPLOYMENT AND UNEMPLOYMENT RATE FOR NEW YORK AND THE UNITED STATES					
	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,533	8.0	7.5	7.1
1990	8,203	109,527	7.5	5.3	5.6
2000	8,625	132,024	6.5	4.6	4.0
2010	8,544	130,361	6.6	8.6	9.6
2016	9,396	144,306	6.5	4.8	4.9

Source: US Department of Labor.  
Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

State per capita personal income has historically been significantly higher than the national average, although the ratio has varied substantially over time. Because New York City is an employment center for a multi-state region, State personal income measured on a residence basis understates the relative importance of the State to the national economy and the size of the base to which State taxation applies. The following table compares per capita personal incomes for the State and the nation.

Per Capita Personal Income (income in dollars)			
	NYS	US	Ratio NYS/US
1960	\$2,868	\$2,323	1.23
1970	\$4,935	\$4,196	1.18
1980	\$10,997	\$10,153	1.08
1990	\$23,994	\$19,591	1.22
2000	\$35,924	\$30,602	1.15
2010	\$48,152	\$40,277	1.22
2016	\$60,534	\$49,571	1.21

Source: US Department of Commerce, Bureau of Economic Analysis.

## **Section 2**

# **Annual Update of Official Statement Information**

This Section 2 consists of updated extracts from the most recent Official Statement relating to particular series of bonds and financing programs and contains the information required to be updated annually pursuant to applicable continuing disclosure agreements entered into by the State of New York, as Obligor, thereunder. Readers are advised to review the contents of this Section 2 together with the complete sections of the relevant Official Statements from which the extracts were derived.

Capitalized terms that are not defined in this Section 2 shall have the meanings ascribed to them in the applicable Official Statements.



## **Section 2: Subsection G**

### **New York Local Government Assistance Corporation Bonds**

#### **“The Sales Tax”**

This Subsection G contains the information required to be updated annually pursuant to applicable continuing disclosure agreements relating to obligations issued by the New York Local Government Assistance Corporation.

Capitalized terms used in this Subsection G and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.



## General

In 1965, New York became the 39<sup>th</sup> 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 20. 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 PIT 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 ("IDAs") 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 exempts 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 13.641 billion, reflecting an increase of 4.1 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.

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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. Table 2 sets forth monthly Sales Tax receipts from April 1, 2012 through March 31, 2017. The information reflects the tax law changes described above.

**TABLE 1**  
**SALES TAX RECEIPTS<sup>(1)</sup>**  
**(billions of dollars)**

State Fiscal Year	Net Receipts of Sales Tax	Net Receipts of 1% Sales Tax <sup>(2)</sup>	Annual Rate of Growth/Decline <sup>(3)</sup>
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 <sup>(4)</sup>	12.967	3.242	3.9
2018 <sup>(5)</sup>	13.641	3.410	5.2

Source: NYS DOB.

<sup>(1)</sup> 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.

<sup>(2)</sup> Net of refunds.

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

<sup>(4)</sup> Unaudited.

<sup>(5)</sup> As estimated in the FY 2018 Enacted Budget Financial Plan.

**TABLE 2**  
**MONTHLY SALES TAX RECEIPTS <sup>(1) (2)</sup>**  
**April 1, 2012 Through March 31, 2017**  
**(millions of dollars)**

MONTH	2012-13	%	2013-14	%	2014-15	%	2015-16	%	2016-17 <sup>(3)</sup>	%
APRIL	\$ 792	7	\$ 857	7	\$ 885	7	\$ 955	8	\$ 996	8
MAY	831	7	869	7	913	8	931	7	949	7
JUNE	1,117	10	1,209	10	1,204	10	1,280	10	1,311	10
JULY	846	8	906	8	939	8	994	8	1,017	8
AUGUST	846	8	904	8	932	8	967	8	971	7
SEPTEMBER	1,148	10	1,189	10	1,240	10	1,282	10	1,305	10
OCTOBER	850	8	894	8	932	8	874	7	1,000	8
NOVEMBER	829	7	893	8	945	8	965	8	998	8
DECEMBER	1,150	10	1,190	10	1,225	10	1,189	10	1,266	10
JANUARY	930	8	945	8	970	8	1,017	8	1,070	8
FEBRUARY	801	7	805	7	802	7	828	7	875	7
MARCH	<u>1,092</u>	<u>10</u>	<u>1,125</u>	<u>10</u>	<u>1,151</u>	<u>9</u>	<u>1,204</u>	<u>10</u>	<u>1,208</u>	<u>9</u>
TOTAL <sup>(4)</sup>	<u>\$11,232</u>	<u>100%</u>	<u>\$11,786</u>	<u>100%</u>	<u>\$12,137</u>	<u>100%</u>	<u>\$12,485</u>	<u>100%</u>	<u>\$12,967</u>	<u>100%</u>

Source: NYS DOB.

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

<sup>(2)</sup> Percentages indicate the monthly share of yearly receipts.

<sup>(3)</sup> Unaudited.

<sup>(4)</sup> 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**  
**(thousands of dollars)**

FY 2017 Sales Tax Receipts <sup>(1)</sup> .....	\$12,966,623
FY 2017 1% Sales Tax Receipts <sup>(1) (2)</sup> .....	\$3,241,633
Maximum Annual Debt Service <sup>(3)</sup> .....	\$379,971
Debt Service Coverage <sup>(4)</sup> .....	8.5x

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> Net of approximately \$17.4 million in estimated collection expenses.

<sup>(3)</sup> The calculation of maximum annual debt service assumes all variable rate bonds are unhedged, uses rates in effect as of March 31, 2017 and includes support costs.

<sup>(4)</sup> Assumes no interest earnings on the Capital Reserve Fund.

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 Lien Bond Resolution to clarify that any failure to certify or make payments to the 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 1 percent Sales 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 Revenue 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 Revenue Fund. No such additional financing is permitted under existing law.



## **Section 2: Subsection H**

# **Tobacco Settlement Financing Corporation Asset-Backed Revenue Bonds (State Contingency Contract Secured)**

### **“History of Appropriations”**

This Subsection H contains the information required to be updated annually pursuant to applicable continuing disclosure agreements relating to obligations issued by the Tobacco Settlement Financing Corporation for the Asset-Backed Revenue Bonds (State Contingency Contract Secured).

Capitalized terms used in this Subsection H and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.





Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the Tobacco Settlement Financing Corporation ("TSFC"), a corporation created under the legislation that is a subsidiary of the State of New York Municipal Bond Bank Agency, through an asset-backed securitization transaction. The legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million). As of March 31, 2017, approximately \$660 million of TSFC bonds were outstanding, however based on the Master Settlement Payment received in April 2017, the TSFC had sufficient funds, including debt service reserve funds, to retire all outstanding TSFC bonds, which redemption occurred on June 1, 2017. Accordingly, this will be the last annual update of this Section H pursuant to the applicable continuing disclosure agreements that were entered into in connection with the issuance of the TSFC bonds.

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## **Section 2: Subsection I**

### **New York State Thruway Authority Highway and Bridge Trust Fund Bonds**

#### **“Sources of Revenue for the Trust Fund”**

This Subsection I contains the information required to be updated annually pursuant to applicable continuing disclosure agreements relating to obligations issued by the New York State Thruway Authority for Highway and Bridge Trust Fund Bonds.

Capitalized terms used in this Subsection I and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.

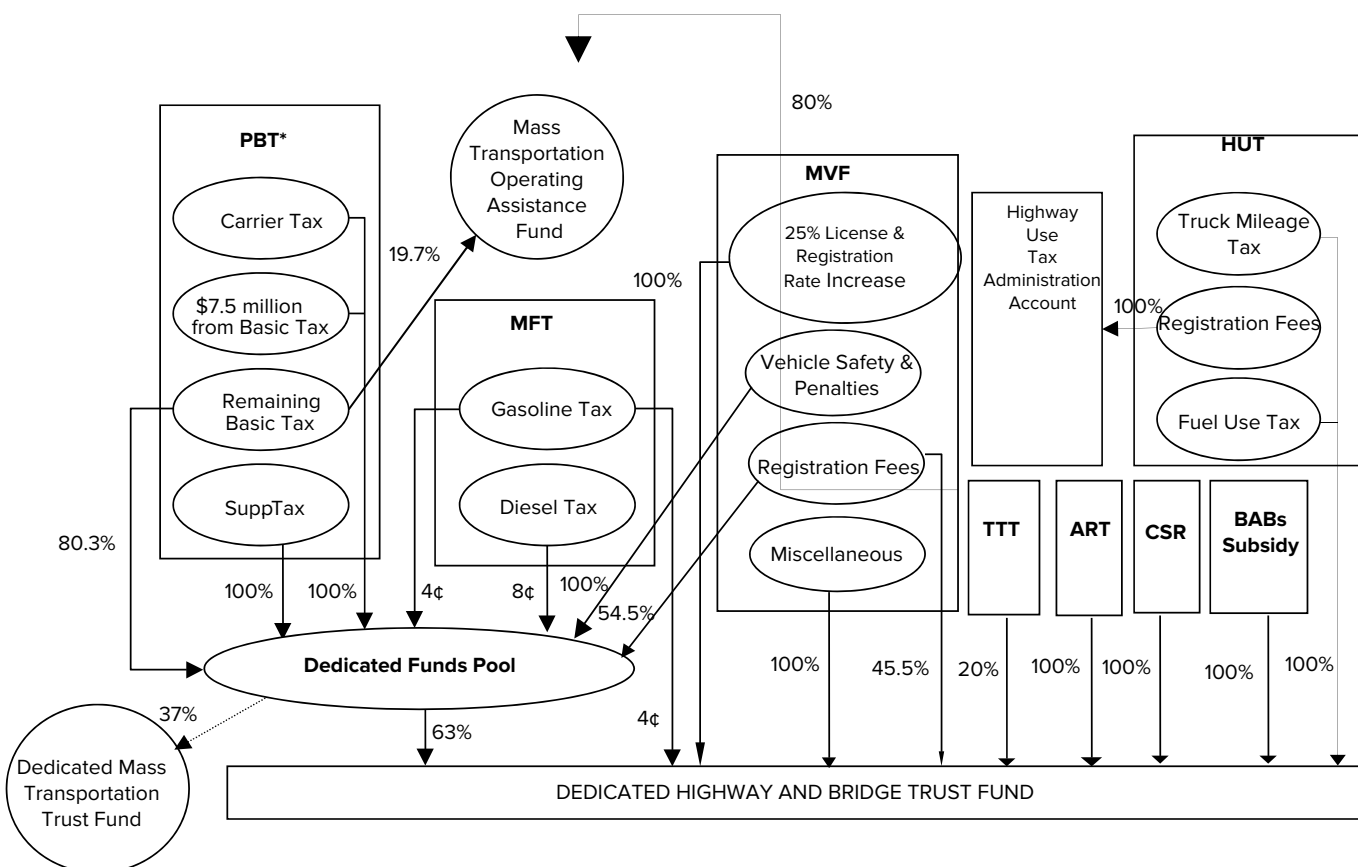


## Introduction

The State highway and bridge program is funded in part by various transportation-related taxes and fees including (a) portions of the State's (i) petroleum business taxes (the "PBT"), (ii) motor fuel taxes (the "MFT"), (iii) motor vehicle fees (the "MVF") and (iv) transmission and transportation taxes (the "TTT") in the corporation and utility taxes, (b) all revenues generated by the highway use tax (the "HUT") and auto rental tax (the "ART"), and (c) certain special revenues (the "CSR"). In addition to supporting this program through the Trust Fund, portions of the first four revenue sources are also statutorily allocated among several other State funds.

The flow chart below depicts the flow of funds to the Dedicated Highway and Bridge Trust Fund for FY 2018.

**Transportation-Related Taxes & Fees Allocation  
FY 2018 Enacted Budget**



\* Effective December 1, 2017, all receipts from aviation fuel will be directed to an aviation purpose account, from which no receipts are direct to the Dedicated Highway and Bridge Trust Fund. Currently, aviation fuel receipts are part of the basic tax.

The PBT is the business privilege tax imposed on petroleum businesses operating in the State. The tax is measured by the quantity of various petroleum products refined or sold in the State or imported for sale or use in the State. PBT rates generally have two aspects: (i) the basic tax whose rate varies by product type, and (ii) the supplemental tax, which, in general, is applied at a uniform rate. Since FY 2003, most of the net PBT receipts from the basic tax and all of the supplemental tax have been earmarked to the Dedicated Funds Pool. The Statewide Dedicated Funds Pool is the repository for revenues from the following dedicated taxes and fees: petroleum business taxes, motor fuel taxes, and motor vehicle fees that are derived mainly from vehicle registration and driver license fees. Subject to statutory allocation under State law, 63 percent of the Dedicated Funds Pool is deposited into the Trust Fund. The remaining 37 percent is deposited into the Dedicated Mass Transportation Trust Fund.

Dedicated motor fuel tax revenue earmarked to the Trust Fund has been derived from one hundred percent of the receipts from four cents of the aggregate eight-cent-per-gallon excise tax penalties levied with respect to gasoline and other non-diesel motor fuels, generally for highway use. The remaining four cents of the aggregate eight-cent-per-gallon excise tax imposed on gasoline and the eight-cent-per-gallon excise tax levied on diesel motor fuel are deposited into the Dedicated Funds Pool.

Two of the three components of the highway use tax revenues are earmarked to the Trust Fund: the truck mileage tax and the fuel use. The truck mileage tax is levied on certain commercial vehicles based on the number of miles driven on the public highways of the State and the loaded or unloaded weight of the vehicles. The fuel use tax is imposed upon amounts of fuel purchased outside the State by certain motor carriers and used while traveling on the public highways of the State.

A large portion of the State's motor vehicle fees is earmarked to the Trust Fund. There are three main categories of motor vehicle fees: registrations, vehicle safety and penalties and miscellaneous. The vast majority of motor vehicle fees that are directed to the Trust Fund are derived from the registration category. For motor vehicle registration fees, 45.5 percent is earmarked directly to the Trust Fund while the remaining 54.5 percent of the registration fees is earmarked to the Dedicated Funds Pool. The 25 percent increase in registration and license fees in 2009 does not follow the statutory split and instead is directed to the Trust Fund. Revenues from the miscellaneous category, which includes revenues from the Driver Responsibility Act and emission/inspection stickers, are directed solely to the Trust Fund. The smallest revenue source is the vehicle safety and penalties category which includes revenues from the document image fee.

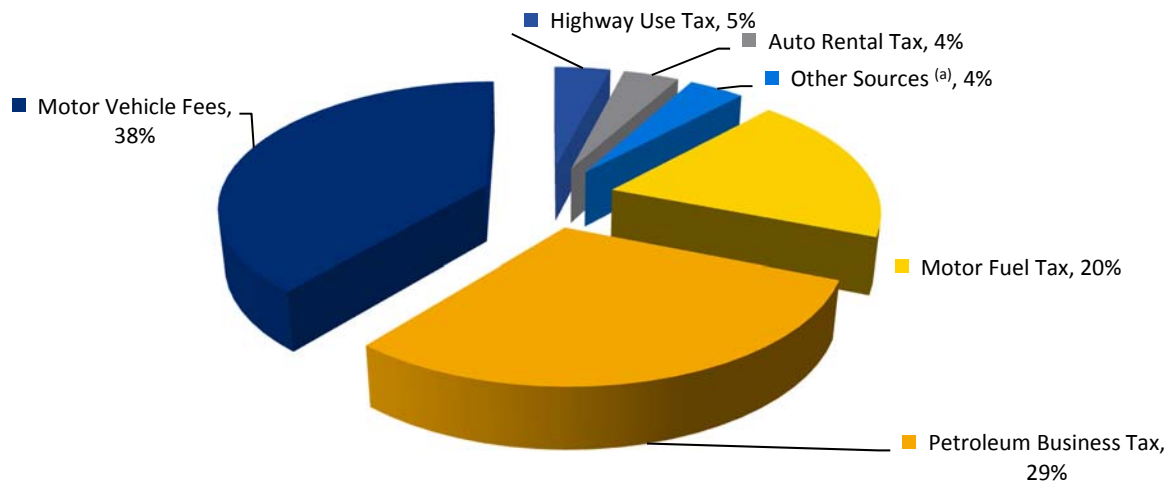
Currently the State imposes a six percent tax on charges to certain rental passenger cars and a supplemental tax of 5 percent in the Metropolitan Commuter Transportation District ("MCTD"). All receipts from the State auto rental tax are deposited to the Trust Fund. All receipts from the supplemental tax are deposited to the MTA Trust Aid Account.

The State imposes a franchise tax on transmission and transportation companies under Sections 183 and 184 of the corporation and utilities taxes. Additionally, effective May 2015, the excise tax imposed under Section 186-e was increased by 0.4 percent on the sale of mobile communication services.

## FY 2018 Enacted Budget

The following chart indicates the portion of FY 2018 Trust Fund Revenues that is estimated in the FY 2018 Enacted Budget to be derived from each of the revenue sources.

### Dedicated Highway and Bridge Trust Fund Revenue Sources



(a) Includes Build America Bonds Subsidy (see discussion herein), Certain Special Revenues, and Transmission and Transportation Taxes.

## Dedicated Highway and Bridge Trust Fund Revenue Sources

The following sections provide general information on collections and projected receipts for each of the sources of revenues since the Trust Fund was established.

### Dedicated Petroleum Business Tax

**General.** The PBT is the business privilege tax imposed on petroleum businesses operating in the State. The tax is measured by the quantity of various petroleum products refined or sold in the State or imported for sale or use in the State. PBT rates generally have two aspects: (i) the basic tax whose rate varies by product type, and (ii) the supplemental tax, which, in general, is applied at a uniform rate.

**Tax Rates.** The basic and supplemental PBT tax rates are subject to separately computed annual adjustments on January 1 of each year, to reflect the change in the Producer Price Index ("PPI") for refined petroleum products for the 12 months ended August 31 of the immediately preceding year. The tax rates, therefore, increase as prices rise and decrease as prices fall. The PBT rates are adjusted annually subject to a maximum change of five percent of the current rate in any year. In addition to the five percent cap on rate changes, the statute also requires basic and supplemental rates to be rounded to the nearest tenth of one cent. Subsequent legislation provided that diesel rates be rounded to the nearest hundredth of one cent. As a result, the tax rates usually do not change by the full five percent allowed under the statutory formula.

The following table shows the changes in the PPI for refined petroleum products since FY 2008 and the capped PBT index.



# Sources of Revenue for the Trust Fund

## PETROLEUM BUSINESS TAX INDEX CHANGE (percent)

Year for PPI Change (September 1 to August 31)	PPI for Refined Petroleum Products Change	Year for PBT Index	PBT Index Change (January 1)
2007-08	42.1	2009	5.0
2008-09	-34.9	2010	-5.0
2009-10	18.6	2011	5.0
2010-11	29.8	2012	5.0
2011-12	9.2	2013	5.0
2012-13	-0.8	2014	-0.8
2013-14	-3.2	2015	-3.2
2014-15	-29.1	2016	-5.0
2015-16	-30.4	2017	-5.0
2016-17 <sup>(a)</sup>	16.0	2018 <sup>(a)</sup>	5.0

<sup>(a)</sup> Estimated.

The table below shows the rates per gallon for the PBT in effect for calendar years 2016 and 2017 and estimated rates for calendar year 2018, respectively.

## PETROLEUM BUSINESS NET TAX RATES FOR 2016 - 2018 (cents per gallon)

Petroleum Products	2016 <sup>1</sup>			2017 <sup>1</sup>			2018 <sup>2</sup>		
	Base	Supp	Total	Base	Supp	Total	Base	Supp	Total
Highway-use fuel									
Gasoline and other non-diesel	10.20	6.80	17.00	9.70	6.50	16.20	10.10	6.80	16.9
Diesel	10.20	5.05	15.25	9.70	4.75	14.45	10.10	4.98	15.08
Aviation gasoline or Kero-jet fuel	6.80	0.00	6.80	6.50	0.00	6.50	6.80	0.00	6.80
Non-automotive diesel fuels									
Commercial gallonage	9.30	0.00	9.30	8.90	0.00	8.90	9.30	0.00	9.30
Nonresidential heating	5.00	0.00	5.00	4.80	0.00	4.80	5.00	0.00	5.00
Residual petroleum products									
Commercial gallonage	7.10	0.00	7.10	6.80	0.00	6.80	7.10	0.00	7.10
Nonresidential heating	3.80	0.00	3.80	3.70	0.00	3.70	3.80	0.00	3.80
Railroad diesel fuel	8.90	0.00	8.90	8.40	0.00	8.40	8.80	0.00	8.80

<sup>1</sup> The tax rates represent the net tax rate after credits.

<sup>2</sup> Projected — The projected petroleum producer price index increase of 16.0 percent through August 2018 will result in a projected increase of 5 percent in the PBT tax rates on January 1, 2018.

**Tax Base.** Generally, transactions that are excluded from the basic PBT base are also excluded from the supplemental tax base. Exclusions include sales for export from the State, sales of fuel oil for residential heating purposes and manufacturing use, and sales to government entities when such entities buy petroleum for their own use. Sales of kerosene (other than kero-jet fuel) and liquefied petroleum gas and sales of residual fuel oil used as bunker fuel also are exempted. Beginning January 1, 2002, all electric utilities that use petroleum to generate electricity have been allowed to apply commercial gallonage rates under deregulation.

The State also imposes a petroleum business carrier tax under the PBT on fuel purchased by motor carriers outside the State but consumed within the State. The carrier tax rates are the same as the PBT automotive gasoline and diesel rates listed above.

**Legislative Changes.** Legislation adopted with the FY 2006 Enacted Budget exempted or partially exempted PBT on alternative fuels, including ethanol ("e85") and biodiesel ("B20") until September 1, 2011. Since then, this alternative fuels exemption has been extended several times and is currently in effect until September 1, 2021.

Legislation adopted with the FY 2012 Enacted Budget modernized fuel definitions to conform with changes to Federal and State Law.

Legislation adopted with the FY 2014 Enacted Budget provided a reimbursement for motor fuel and diesel motor fuel used by volunteer ambulance and fire departments. Also, legislation adopted with the FY 2014 Enacted Budget allowed tax-free interdistributor sales of highway diesel motor fuel sold below the rack (i.e., not delivered by truck).

Legislation adopted with the FY 2016 Enacted Budget allows petroleum business tax refunds for farm use of highway diesel motor fuel.

Legislation adopted with the FY 2017 Enacted Budget conformed the State Tax Law to Federal Aviation Administration regulations regarding taxes on aviation fuel that includes limiting the use of the revenues for airport-related projects and required motor fuel wholesalers to register and file informational returns with the State to increase the effectiveness of fuel tax evasion auditing.

**Tax Imposition and Payment.** Imposition of the tax occurs at different points in the distribution chain, depending upon the type of product. The tax is imposed on motor fuels at the same time as the eight-cent-per-gallon motor fuel tax. Gasoline, which represents the preponderance of automotive fuel sales in the State, is taxed upon importation into the State for sale or upon manufacture in the State. Other non-diesel highway-use fuels such as compressed natural gas, methanol and ethanol become subject to the tax on their first sale as motor fuel in the State. Highway-use diesel motor fuel becomes taxed upon its first non-exempt sale or use in the State. Non highway-use diesel fuel (such as No. 2 fuel oil used for commercial heating) and residual fuel usually become taxable on the sale to the consumer or upon use of the product in the State.

Most petroleum businesses remit this tax on a monthly basis. Taxpayers with yearly motor fuel tax and PBT liability totaling more than \$5 million remit tax for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. The Department of Taxation

and Finance advises that in FY 2016, 32 taxpayers, accounting for 77 percent of all PBT receipts, participated in the electronic funds transfer program. As a complement to the fuel use tax, the PBT carrier tax is collected quarterly with the fuel use tax portion of the highway tax (see “Highway Use Tax” below).

Aspects relating to the imposition and collection of the PBT have been and may continue to be the subject of administrative claims and litigation by taxpayers.

**Historical Summary of PBT Revenue.** The following table provides 10 year historical information on the basic PBT and the supplemental PBT, the major funding source for the Trust Fund.

**ACTUAL BASIC AND SUPPLEMENTAL PBT COLLECTIONS**  
(millions of dollars)

Collection Period State Fiscal Year	Basic PBT	Supplemental PBT
2007-08	\$709.0	\$423.2
2008-09	682.5	403.5
2009-10	674.1	411.0
2010-11	660.4	412.8
2011-12	661.3	419.1
2012-13	688.4	430.2
2013-14	704.4	428.6
2014-15	700.4	435.9
2015-16	677.2	426.3
2016-17	682.3	423.1

Source: New York State Department of Taxation and Finance.

Several factors account for the changes in PBT revenues during the period referenced above.

Receipts for FY 2008 reflect a 5 percent increase in PBT rates effective January 1, 2007 and a 1.2 percent decrease in PBT rates effective January 1, 2008. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$23.1 million from the carrier tax.

Receipts for FY reflect a 1.2 percent decrease in PBT rates effective January 1, 2008 and a 5 percent increase in PBT rates effective January 1, 2009. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$20.6 million from the carrier tax.

Receipts for FY 2010 reflect a 5 percent increase in PBT rates effective January 1, 2009 and a 5 percent decrease in PBT rates effective January 1, 2010. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$18.4 million from the carrier tax.

Receipts for FY 2011 reflect a 5 percent decrease in PBT rates effective January 1, 2010 and a 5 percent increase in PBT rates effective January 1, 2011. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$17.1 million from the carrier tax.

Receipts for FY 2012 reflect a 5 percent increase in PBT rates effective January 1, 2011 and a 5 percent increase in PBT rates effective January 1, 2012. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$19.2 million from the carrier tax.

Receipts for FY 2013 reflect a 5 percent increase in PBT rates effective January 1, 2012 and a 5 percent increase in PBT rates effective January 1, 2013. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$21.0 million from the carrier tax.

Receipts for FY 2014 reflect a 5 percent increase in PBT rates effective January 1, 2013 and a 0.8 percent decrease in PBT rates effective January 1, 2014. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$21.5 million from the carrier tax.

Receipts for FY 2015 reflect a 0.8 percent decrease in PBT rates effective January 1, 2014 and a 3.2 percent decrease in PBT rates effective January 1, 2015, offset by an increase in taxable gasoline and diesel gallonage. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$22.0 million from the carrier tax.

Receipts for FY 2016 reflect a 3.2 percent decrease in PBT rates effective January 1, 2015 and a 5.0 percent decrease in PBT rates effective January 1, 2016. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$20.3 million from the carrier tax.

Receipts for FY 2017 reflect a 5.0 percent decrease in PBT rates effective January 1, 2016 and a 5.0 percent decrease in PBT rates effective January 1, 2017. In addition to basic tax and supplemental tax receipts, total PBT collections also include \$18.3 million from the carrier tax.

# Sources of Revenue for the Trust Fund

**Actual and Estimated Revenues from Dedicated PBT.** Actual receipts since FY 2008 and DOB's estimates of receipts from the dedicated PBT for FY 2018 are as set forth in the following table:

**TRUST FUND REVENUES FROM PBT**  
(million of dollars)

State Fiscal Year	Dedicated Funds Pool	Trust Fund Revenue	Trust Fund Share
2007-08	\$1,017.1	\$640.8	63.0%
2008-09	973.6	613.4	63.0
2009-10	972.2	612.5	63.0
2010-11	961.9	605.9	63.0
2011-12	970.8	611.6	63.0
2012-13	1,005.6	633.5	63.0
2013-14	1,017.2	640.9	63.0
2014-15	1,021.9	643.8	63.0
2015-16	991.9	624.9	63.0
2016-17	990.8	624.2	63.0
2017-18 <sup>(a)</sup>	954.8	601.5	63.0

<sup>(a)</sup> Estimated in the FY 2018 Enacted Budget.

In formulating its projection for FY 2018, DOB made various assumptions regarding income, gasoline prices and consumption, fuel efficiency of the motor vehicles in the State and certain demographic trends. Forecasts of these variables are generated by DOB's own economic models of the United States and State economies, and a forecast published by the Federal Energy Information Administration ("EIA"). These assumptions were supplemented with year-to-date actual receipts. The estimates for PBT receipts from gasoline motor fuel are consistent with the consumption estimates used in forecasting motor fuel tax receipts. The PBT forecast also incorporates the indexing provisions that decreased the rates by 5.0 percent on January 1, 2017, and are projected to increase the rates by 5.0 percent on January 1, 2018.

In formulating its estimates of PBT revenues from diesel motor fuel, DOB relied upon its own forecast of nationwide economic conditions, as reflected in national gross domestic product, and upon indicators of New York business activity. The estimates for PBT receipts from diesel motor fuel are also consistent with the consumption estimates used in forecasting motor fuel tax receipts.

The balance of the tax consists of tax paid with respect to commercial and utility usage of non highway-use diesel fuel and residual fuel oils (Nos. 4, 5 and 6 oils). Effective December 1, 2017, all receipts from aviation fuel will be directed to an aviation purpose account, from which no receipts are directed to the Dedicated Highway and Bridge Trust Fund. Currently, aviation fuel receipts are part of the basic tax. The forecast anticipates that total tax collections from these non-highway use diesel and residual fuels will experience a slight increase in FY 2017. The estimated receipts include \$20.0 million in FY 2018 from the carrier tax.

## Dedicated Motor Fuel Tax

**General.** MFT revenue is derived from an eight-cent-per-gallon excise tax levied with respect to gasoline and diesel motor fuels, generally for highway use. The aggregate rate of tax on gasoline has been eight cents per gallon since 1972. The aggregate rate of tax on diesel motor fuel was reduced from ten cents to eight cents per gallon in 1996.

Effective 2003, MFT gasoline revenue directed to the Trust Fund was increased from 67.7 percent to 81.5 percent. Currently, 63.0 percent of MFT diesel revenue is directed to the Trust Fund, which was 31.5 percent in 2000 and 49.2 percent in 2001.

**Tax Imposition and Payment.** The tax on motor fuel is payable by distributors registered with the State. The gasoline motor fuel tax is imposed when gasoline is imported (or caused to be imported) into the State for sale or use in the State, or manufactured in the State. Generally, the tax on other non-diesel motor fuels earmarked to the Trust Fund (such as compressed natural gas, propane, methanol and ethanol) is remitted by the dealer selling it as motor fuel. The tax on diesel motor fuel is imposed on the first non-exempt sale of diesel in the State.

Most petroleum businesses remit these taxes on a monthly basis. Businesses with annual MFT and PBT liability totaling more than \$5 million remit the taxes for the first 22 days of the month by electronic funds transfer by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month. The Department of Taxation and Finance advises that, in FY 2016, 31 taxpayers with motor fuel excise tax obligations participated in the electronic funds transfer program and accounted for 78 percent of all motor fuel tax receipts.

Although the tax is remitted by distributors, the incidence of the tax falls primarily on final users of the fuel on the highways and waterways of the State. Governmental purchases are exempt from the tax. Fuel purchased for certain road vehicles (such as fire trucks, buses used in local transit, taxicabs and ambulances), upon which the tax has been paid, may be eligible for full or partial reimbursement of the MFT. Reimbursement of the tax is also available for fuel not used on the highways (e.g., fuel used in farming). Certain exemptions, including sales of kero-jet fuel for use in airplanes and sales to exempt organizations, apply only to the diesel motor fuel.

**Actual and Estimated Revenues from Dedicated Motor Fuel Tax.** Actual receipts since FY 2008 and DOB's forecast of Trust Fund receipts from the gasoline and diesel MFT for FY 2018 are set forth in the following table:

# Sources of Revenue for the Trust Fund

## TRUST FUND REVENUES FROM MFT (millions of dollars)

State Fiscal Year	Gasoline MFT	Diesel MFT	Total Revenues
2007-08	\$369.8	\$44.8	\$414.6
2008-09	356.1	42.2	398.3
2009-10	360.1	41.0	401.1
2010-11	363.7	44.0	407.7
2011-12	354.0	42.4	396.4
2012-13	348.1	41.2	389.3
2013-14	336.5	38.0	374.5
2014-15	349.3	36.8	386.1
2015-16	357.5	40.6	398.1
2016-17	364.1	45.5	409.6
2017-18 <sup>(a)</sup>	363.4	44.0	407.4

<sup>(a)</sup> Estimated.

In formulating the gasoline motor fuel tax forecast, DOB relied principally upon relationships among gross domestic product, income, gasoline prices and gasoline demand that have been established by DOB's own economic forecast and the EIA. Gasoline consumption is estimated to increase in FY 2018.

To develop the diesel MFT forecast, DOB relied primarily on its own forecasts of State economic conditions, as reflected in real gross domestic product ("GDP"). Diesel consumption is estimated to increase in FY 2018.

**Legislative Changes.** Legislation adopted with the FY 2006 Enacted Budget exempted or partially exempted MFT on alternative fuels, including ethanol ("e85") and biodiesel ("B20") until September 1, 2011. Since then, this alternative fuels exemption has been extended several times and is currently in effect until September 1, 2021.

Legislation adopted with the FY 2012 Enacted Budget modernized fuel definitions to conform with changes to Federal and State Law.

Legislation adopted with the FY 2014 Enacted Budget allowed tax-free interdistributor sales of highway diesel motor fuel sold below the rack (i.e., not delivered by truck).

Legislation adopted with the FY 2017 Enacted Budget required motor fuel wholesalers to register and file informational returns with the State to increase the effectiveness of fuel tax evasion auditing.

## Highway Use Tax

**General.** The highway use tax includes three components: the truck mileage tax, the fuel use tax, and registration fees. Under current law, the truck mileage tax and fuel use tax are earmarked to the Trust Fund.

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds. The State gives carriers the option of using an unloaded weight basis to compute truck mileage tax liability. A motor carrier pays tax based on both the number of miles driven on the public highways of this State and the weight of the vehicle.

The fuel use tax is a complement to the State motor fuel and sales taxes. In contrast to the latter taxes, which are imposed upon the amount of fuel purchased within the State, the fuel use tax applies to fuel purchased outside New York State by trucks and tractors and by foreign or interstate bus carriers, but used while traveling on the public highways of the State.

The State is a member of the federally mandated International Fuel Tax Agreement ("IFTA"). This agreement provides for the uniform reporting and collection of fuel-use-related taxes among IFTA jurisdictions. IFTA reduces and simplifies the reporting requirements of truckers by permitting motor carriers to file a single tax return with their base state. The base state then distributes revenues back to the other IFTA jurisdictions based on the miles traveled in those jurisdictions.

**Actual and Estimated Revenues from Highway Use Tax.** The table below shows actual receipts since FY 2008 and DOB's forecast of HUT receipts for FY 2018. The forecast reflects the FY 2018 Enacted Budget and is based upon forecasts of national and State economic conditions and motor fuel prices. FY 2018 includes the one-time payment of an estimated \$44 million in refunds related to the lowering of the registration and decal fees.



# Sources of Revenue for the Trust Fund

## TRUST FUND REVENUES FROM HUT (millions of dollars)

State Fiscal Year	Revenues
2007-08	\$148.0
2008-09	140.9
2009-10	137.2
2010-11	129.2
2011-12	132.1
2012-13	145.0
2013-14	136.2
2014-15	140.4
2015-16	158.6
2016-17	136.4
2017-18 <sup>(a)</sup>	95.0

<sup>(a)</sup> Estimated.

**Legislative Changes.** Legislation adopted with the FY 2006 Enacted Budget exempted or partially exempted MFT on alternative fuels, including ethanol ("e85") and biodiesel ("B20") until September 1, 2011. Since then, this alternative fuels exemption has been extended several times and is currently in effect until September 1, 2021.

Legislation adopted with the FY 2007 Enacted Budget capped State sales tax on motor fuel and diesel motor fuel at eight cents per gallon. This change reduces the receipts from the fuel use tax sales tax component.

Legislation adopted with the FY 2010 Enacted Budget increased the highway use tax fee for a registration certificate from \$4 to \$15 for a motor vehicle, and from \$2 to \$15 for a trailer, semi-trailer, dolly or other drawn device.

Legislation adopted with the FY 2017 Enacted Budget decreased the highway use tax registration fee from \$15 to \$1.50 and made the decal free, which previously cost \$4. This legislation also redirected the revenue from the registrations fees from the Trust Fund to a newly created Highway Use Tax Administration Account. Legislation adopted in this budget also required motor fuel wholesalers to register and file informational returns with the State to increase the effectiveness of fuel tax evasion auditing.

## Dedicated Motor Vehicle Fees

**General.** Motor vehicle fees are imposed by the Vehicle and Traffic Law. Motor vehicle fees are derived from a variety of sources, but consist mainly of vehicle registration and driver licensing fees. In general, motor vehicles, motorcycles, trailers, semi-trailers, buses, and other types of vehicles operating in New York are required to be registered with the Department of Motor Vehicles. In 2016, 11.3 million vehicles were registered in New York State, including 9.5 million standard series vehicles and 778, 102 commercial vehicles. The Vehicle and Traffic Law also requires drivers to be licensed by the Department of Motor Vehicles. The current license renewal period is eight years. In 2016, New York State had 12.0 million licensed drivers. Numerous other fees, related to the processes of registration or licensing, are also components of motor vehicle fees.

Most vehicle registration fees in New York are based on weight. Two important exceptions are buses, which are charged according to seating capacity, and semi-trailers, which are charged a flat fee. Registration fees for vehicles weighing less than 18,000 pounds are imposed biennially. The main registration fees are as follows:

MAIN REGISTRATION FEES		
Type of Vehicle	Weight of Vehicle	Annual Fee*
Passenger vehicle	Each 100 lbs. or major fraction thereof up to 3,500 lbs.	\$0.81
	Plus: for each 100 lbs. or major fraction thereof above 3,500 lbs.	\$1.21
Passenger vehicle - minimum fee		\$12.94
Passenger vehicle - maximum fee		\$70.08
Passenger vehicle propelled by electricity		\$16.18
Auto truck and light delivery vehicle	Each 500 lbs. maximum gross weight or fraction thereof	\$3.60
Tractors (registered separately from semi-trailers)	Each 100 lbs. maximum gross weight or fraction thereof	\$1.51
Trailers	Each 500 lbs. maximum gross weight or fraction thereof	\$5.39
Semi-trailers - pre-1989 model year		\$28.75 per year
Semi-trailers - model year 1989 or later		\$28.75 per year or \$86.25 for a period of 5.5 to 6.5 years
Bus - seating capacity 15 to 20 passengers		\$74.75
*This does not include the \$25 supplemental fee imposed on registrations in the Metropolitan Commuter Transportation District (MCTD).		

The main licensing fees are listed below:

MAIN DRIVER LICENSING FEES	
Type of License	Fee*
Photo Fee	\$12.50
Original/Renewal	
• A, B, CDL, or C (Commercial)	\$9.50 - for each six months
• Non CDL/C or E	\$6.25 - for each six months
• D (Passenger)	\$3.25 - for each six months
• M (Motorcycle)	\$3.75 - for each six months
*This does not include the \$1 supplemental fee per six months imposed on licenses in the MCTD.	

Registration and licensing occur in person or by mail at the central and district offices of the Department of Motor Vehicles, and county clerks' offices in most counties. Many transactions can also be completed via the Internet. County clerks receive 12.7 percent of gross receipts as compensation.

Certain vehicles registered in New York are exempt from registration fees. The exemptions include: vehicles owned by the State or municipalities; passenger vehicles owned by consular offices; and vehicles owned and used for the transportation of animals by societies for the prevention of cruelty to animals. Vehicles owned by nonresidents and registered with a political jurisdiction outside the State are not usually required to be registered in New York. The revenue loss from these exemptions is minimal.

Currently, revenues from the 25 percent registration and license fee increase, effective September 1, 2009, are directed solely to the Trust Fund. Of the total balance of registration and license fees, approximately 80 percent flows to the Trust Fund.

**Legislative Changes.** Legislation adopted with the FY 2010 Enacted Budget increased license and registration fees by 25 percent. The additional revenues from these increased fees are directed to the Trust Fund. The license plate issuance fee was increased from \$15 to \$25; monies from this increase are directed to the General Fund.

Legislation adopted with the FY 2015 Enacted Budget eliminated the \$169.4 million MVF General Fund transfer to the Dedicated Funds Pool and replaced it with a generic General Fund transfer. Of the \$106.7 million that is directed from the Dedicated Funds Pool to the Trust Fund, \$66 million is a generic General Fund transfer to the Trust Fund. In addition, the first \$40.7 million of the Driver Responsibility Assessment receipts that remained in the General Fund is now directed to the Trust Fund. This law change is revenue neutral to the Trust Fund.

In order to reduce the overall number of funds and improve programmatic efficiencies, legislation adopted with the FY 2017 Enacted Budget dedicated several categories of motor vehicle fees to the Dedicated Highway and Bridge Trust Fund that had previously flowed to four Special Revenue Funds (SROs). The SROs include DMV Compulsory Insurance, DMV Seized Assets, Motorcycle Safety, and the Accident Prevention Course Program (IPIRP).

**Actual and Estimated Revenues from Motor Vehicle Fees.** DOB has forecasted the registration fees for passenger and commercial motor vehicles and other motor vehicle fees for FY 2018. The forecast reflects the State's FY 2018 Enacted Budget.

**TRUST FUND REVENUES FROM MVF**  
(millions of dollars)

State Fiscal Year	Revenues
2007-08	\$568.2
2008-09	542.0
2009-10	626.6
2010-11 <sup>(a)</sup>	813.3
2011-12 <sup>(a)</sup>	811.6
2012-13 <sup>(a)</sup>	795.9
2013-14 <sup>(a)</sup>	785.3
2014-15 <sup>(a) (b)</sup>	726.7
2015-16 <sup>(a) (b)</sup>	753.9
2016-17 <sup>(a) (b) (c)</sup>	786.8
2017-18 <sup>(a)(b)(c)(d)</sup>	786.0

<sup>(a)</sup> Includes all motor vehicle receipts that are directed to the Trust Fund. Nearly \$107 million in CSR revenues, that are collected by the DMV, are now included in this amount.

<sup>(b)</sup> Effective April 1, 2014, the decline in MVF revenues directed to the DHBTF will be offset by a generic General Fund transfer to the Trust Fund (\$66 million).

<sup>(c)</sup> Effective April 1, 2016, several categories of motor vehicle fees were being dedicated to the Trust Fund that previously flowed to four Special Revenue Funds (SROs).

<sup>(d)</sup> Estimated.

## Auto Rental Tax

**General.** On June 1, 1990, the State imposed a 5 percent tax on charges for the rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less. On June 1, 2009, the rate was increased to 6 percent and a supplemental tax at the rate of 5 percent was imposed on the receipts from the rental of a passenger car within the Metropolitan Commuter Transportation District (MCTD). All revenues from the State auto rental tax are directed to the Trust Fund. Revenues from the supplemental tax are directed to the MTA Aid Trust Account and are not included in the table below.

The auto rental tax is remitted quarterly by the vendor on the vendor's sales tax return to the Department of Taxation and Finance.

### TRUST FUND REVENUES FROM AUTO RENTAL TAX (millions of dollars)

State Fiscal Year	Revenues
2007-08	\$47.0
2008-09	60.7
2009-10	51.7
2010-11	60.0
2011-12	65.0
2012-13	68.0
2013-14	71.0
2014-15	74.0
2015-16	79.1
2016-17	78.0
2017-18 <sup>(a)</sup>	86.0

<sup>(a)</sup> Estimated.

## Transmission and Transportation Taxes

**General.** The State imposes franchise taxes on transmission and transportation companies doing business in New York State and an additional excise tax on the sale of mobile communications services within the State. Under Section 183 of the Tax Law, companies pay tax based on the highest of three alternatives: allocated value of issued capital stock at a tax rate of 1.5 mills (.0015); allocated value of issued capital stock on which dividends are paid at a rate of 6 percent or more, at a tax rate of 0.375 mills (.000375) for each 1 percent of dividends paid, or a rate of 1.5 mills (.0015) to capital stock on which dividends are not paid, or are paid at a rate of less than 6 percent; or a minimum tax of \$75. Section 184 of the Tax Law provides for a tax rate of 0.375 percent of gross earnings. Section 186-e imposes an additional excise tax of 0.4 percent on the sale of mobile telecommunication services.

**Legislative Changes.** Legislation adopted with the FY 2004 Enacted Budget increased the flow of funds to the Trust Fund by shifting 20 percent of receipts from the transmission and transportation taxes (Section 183 and 184) from the General Fund, effective April 1, 2004. The remaining 80 percent of transmission and transportation taxes are deposited into the Mass Transportation Operating Assistance Fund (“MTOAF”). Since then, this distribution of receipts to the Trust Fund and the MTOAF has been extended several times and was made permanent in the FY 2018 Enacted Budget. Legislation adopted with the FY 2017 Enacted Budget increased the excise tax (Section 186-e) an additional 0.4 percent (from 2.5 percent to 2.9 percent) on the sale of mobile communications services, effective May 1, 2015. The receipts from the additional excise tax are deposited into the Trust Fund and the MTOAF, in the same manner as above.

The following table shows deposits of transmission and transportation taxes into the MTOAF and the Trust Fund since FY 2008 and DOB estimate of such deposits for FY 2018. The estimate for FY 2018 reflects the FY 2018 Enacted Budget.

**TRANSMISSION AND TRANSPORTATION TAXES  
DEPOSITS TO MTOAF AND TRUST FUND  
(millions of dollars)**

State Fiscal Year	MTOAF	Trust Fund
2007-08	\$60.3	\$15.1
2008-09	71.8	17.9
2009-10	78.6	19.7
2010-11	65.6	16.4
2011-12	53.1	13.3
2012-13	58.6	14.6
2013-14	54.1	13.5
2014-15	38.0	9.5
2015-16	58.3	14.6
2016-17	61.4	15.3
2017-18 <sup>(a)</sup>	58.6	14.7

<sup>(a)</sup> Estimated.

## Certain Special Revenues

**General.** Since April 1, 1999, certain transportation-related fees and charges have been deposited in the Dedicated Highway and Bridge Trust Fund. Prior to FY 2000, these transportation-related fees were deposited to the credit of four State special revenue funds. The FY 2000 Enacted Budget redirected these fees, through administrative action, to the Trust Fund. These fees are generated from the sale of permits for transportation of oversized and/or overweight cargo over the State's highways and bridges, the sale of permits for highway work, fees imposed for directional and outdoor advertising signs posted along State highways, and miscellaneous other transportation-related fees. These fees have been deposited directly in the Trust Fund since the FY 2001 Enacted Budget formalized in statute the redirection of these fees to the Trust Fund. Some of the fee schedules associated with these Trust Fund Revenues are subject to change by the Commissioner of Transportation.

**Legislative Changes.** Legislation adopted with the FY 2012 Enacted Budget recognizes \$2.1 million in receipts from private sector partnerships in funding State HELP trucks.

Legislation adopted with the FY 2013 Enacted Budget merged the DOT accident damage account with the Dedicated Highway and Bridge Trust Fund, increasing dedicated revenues by \$19.5 million in FY 2013 and \$24 million thereafter.

Legislation adopted with the FY 2015 Enacted Budget merged DOT's Transportation Regulation Account and Rail Safety Inspection Account with the Dedicated Highway and Bridge Trust Fund, increasing dedicated revenues by \$5.6 million in FY 2015 and \$5.9 million thereafter.

### CERTAIN SPECIAL REVENUES (millions of dollars)

State Fiscal Year	Revenues
2007-08	\$129.9
2008-09	155.6
2009-10	144.9
2010-11 <sup>(a)</sup>	29.3
2011-12	30.3
2012-13	42.9
2013-14	48.8
2014-15	55.2
2015-16	56.6
2016-17	58.7
2017-18 <sup>(b)</sup>	69.3

<sup>(a)</sup> Nearly \$107 million in receipts are now categorized under motor vehicle receipts. Only dedicated receipts collected by the Department of Transportation are included in this category.

<sup>(b)</sup> Estimated.

**Build America Bonds Subsidy**

The American Recovery and Reinvestment Act of 2009 (“ARRA”) authorized the Build America Bonds (“BABs”) program, which offered issuers the opportunity to issue taxable bonds for capital projects that would otherwise qualify for tax-exemption and receive a subsidy equal to 35 percent of each interest payment from the U.S. Treasury. The Series 2010B Bonds were issued under the Second General Bond Resolution as BABs and pursuant to the BABs program as then in effect, the Trust Fund assumed it would receive an annual 35 percent interest subsidy on the Series 2010B Bonds<sup>(a)</sup>.

**TRUST FUND REVENUES FROM BABs SUBSIDY**  
(millions of dollars)

State Fiscal Year	Revenues
2012-13	\$5.4
2013-14 <sup>(a)</sup>	4.9
2014-15 <sup>(a)</sup>	5.0
2015-16 <sup>(a)</sup>	5.0
2016-17 <sup>(a)</sup>	5.0
2017-18 <sup>(a)(b)</sup>	4.9

<sup>(a)</sup> As a result of Federal sequestration, the subsidy paid to the Trust Fund was reduced to a 32.0% subsidy in FY 2014, a 32.5% subsidy in FY 2015 and FY 2016, FY 2017 is no longer anticipated, and FY 2018 amount is anticipated to be a 31.9% subsidy.

<sup>(b)</sup> Estimated.



## Actual and Estimated Trust Fund Revenues

The following table provides a summary of the actual and estimated Trust Fund Revenues derived from the sources discussed above.

**ACTUAL AND ESTIMATED TRUST FUND REVENUES**  
(millions of dollars)

State Fiscal Year	PBT	MFT	HUT	MVF	ART	TTT	CSR	BABs	TOTAL
2007-08	\$640.8	\$414.6	\$148.0	\$568.2	\$47.0	\$15.1	\$129	--	\$1,963.6
2008-09	613.4	398.3	140.9	542.0	60.7	17.9	155.	--	1,928.8
2009-10	612.5	401.1	137.2	626.0	51.7	19.7	144.	--	1,993.7
2010-11	605.9	407.7	129.2	813.0	60.0	16.4	29.3	\$5.6	2,067.4
2011-12	611.6	396.4	132.1	811.6	65.0	13.3	30.3	5.4	2,065.7
2012-13	633.6	389.3	145.0	795.9	68.0	14.6	42.9	5.4	2,094.7
2013-14	640.9	374.5	136.2	785.3	71.0	13.5	48.8	4.9	2,075.1
2014-15	643.8	386.1	140.4	726.7	74.0	9.5	55.2	5.0	2,040.7
2015-16	624.9	398.1	158.6	753.9	79.1	14.6	56.6	5.0	2,090.8
2016-17	624.2	409.6	136.4	786.8	78.0	15.3	58.7	5.0	2,030.3
2017-18 <sup>(a)</sup>	601.5	407.4	95.0	786.0	86.0	14.7	69.3	4.9	2,064.8

<sup>(a)</sup> Estimated.

## Factors Affecting Trust Fund Revenues

The discussion above has generally covered receipts since FY 2008. Trust Fund receipts should also be viewed from a long term perspective.

An examination of historical data suggests that the Trust Fund revenues have been affected positively or negatively by a number of factors including, but are not limited to: (1) State legislative changes affecting the tax rates, the tax base, payment schedules and the allocation of receipts to the Trust Fund; (2) overall economic conditions in the State; (3) population growth in the State; (4) significant changes in the price of petroleum and refined petroleum products; (5) improvements in the fuel efficiency of automobiles; (6) the use of the extensive public transportation network of subways, buses and commuter rails; (7) world political events, such as the OPEC oil embargo (1973-75), the terrorist attacks on September 11, 2001 and the continuing conflicts in the Middle East; (8) variations in climate and severe weather conditions, including Hurricane Irene and Superstorm Sandy; (9) the price of natural gas relative to certain competing taxable petroleum products, which primarily affect the consumption of taxable petroleum products by utilities; (10) environmental pressures to reduce acid rain through reduction of sulfur dioxide emissions from facilities burning fossil fuels; (11) the shift in the State from a manufacturing-based to service-based economy; (12) State and Federal initiatives encouraging energy efficiency and environmental protection; (13) impact of utility deregulation on Statewide supply and demand of electricity; and (14) tax evasion and Federal and State enforcement measures.

Historically, the price of refined petroleum products has increased. In the long term, this could impact overall consumption as could technological changes in response to these price increases. However, an examination of the historical data factors noted in the prior paragraph indicate that even relatively sharp price increases have not had an immediate adverse effect on motor fuel consumption levels. Indeed the data suggests that the impact of higher prices is expected to be relatively limited and that short-term motor fuel consumption (by far the largest component of Trust Fund receipts) is relatively inelastic in the face of price changes, and, accordingly, that motor fuel tax collections are likely to remain relatively stable. General economic conditions also have an impact upon fuel consumption, especially on diesel fuel consumption. During recessions, diesel fuel consumption declines as business activity slows, but recovers and begins to grow during periods of economic strength. This also has an impact on HUT receipts, which is a tax based on commercial trucks travelling on State highways.

Generally, over the period covered by the historical data discussed above, the sources of revenue dedicated to the Trust Fund were subject to a variety of extreme economic and political conditions, yet would have provided a reasonably stable and moderately growing flow of revenue to the Trust Fund without intervention by the State. There can be no assurances, however, that future economic, political or statutory changes will not materially reduce the flow of revenues to the Trust Fund. In such an event, the State may, but is not obligated to, consider remedial actions, including but not limited to, restructuring revenues available to the Trust Fund or program activity.

**Section 2: Subsection J**  
**New York State Medical Care Facilities**  
**Finance Agency, Mental Health Services**  
**Facilities Improvement Revenue Bonds**  
**and**  
**Dormitory Authority of the State of New**  
**York, Mental Health Services Facilities**  
**Improvement Revenue Bonds**

**“Department of Mental Hygiene”**

This Subsection J contains the information required to be updated annually pursuant to applicable Continuing Disclosure Agreements relating to obligations issued by the New York State Medical Care Facilities Finance Agency (now known as the Dormitory Authority of the State of New York) for Mental Health Services Facilities Improvement Revenue Bonds and the Dormitory Authority of the State of New York for Mental Health Services Facilities Improvement Revenue Bonds.

Capitalized terms used in this Subsection J and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.



## Department of Mental Hygiene

The Department was established on January 1, 1927, replacing and consolidating the functions of the State Hospital Commission and the State Commission for Mental Defectives. Pursuant to legislation effective in 1978, as amended in 1992, the Department is organized into three autonomous offices:

1. The Office of Mental Health (“OMH”);
2. The Office for People With Developmental Disabilities (“OPWDD”); and
3. The Office of Alcoholism and Substance Abuse Services (“OASAS”).

These three units function independently within the Department with complete responsibilities for the planning and administration of their respective programs. Each office is headed by a commissioner appointed by the Governor with the advice and consent of the Senate.

## Office of Mental Health

As the State mental health agency, OMH has two main functions: assuring access to services of the highest quality for children with serious emotional disturbance and adults with serious mental illness, and promoting the mental health of all New Yorkers through a public health approach to education and advocacy. To that end, OMH works with local governments, voluntary agencies, and providers and consumers of mental health services to ensure appropriate care to those in need.

Currently, OMH operates 24 State psychiatric centers, including 15 facilities for adults, 4 for children and 3 for forensic patients, more than 50 residential care facilities, and over 100 outpatient programs. These provide a mix of inpatient, residential and outpatient services. In addition, OMH currently operates two research facilities, the Nathan S. Kline Institute and the New York State Psychiatric Institute, which conduct basic research into the causes and treatment of mental illness. OMH is responsible for regulating and licensing mental health programs operated by local governments and not-for-profit and proprietary agencies. In that capacity, OMH oversees a large array of programs, including more than 1,500 licensed inpatient, outpatient and residential programs and more than 3,000 unlicensed housing and support programs. In connection with these housing related programs, OMH is responsible for the regulation and licensing of certain Voluntary Agency Facilities financed with the proceeds of the Bonds and/or the Prior Authority Bonds. Such regulation and licensing includes participation in the determination of a facility’s needs, review of plans and specifications for construction, the right to inspect and audit, and the establishment of reimbursement rates for client care. Additionally, the capital costs and projected financing sources for any such Voluntary Agency Facilities financed from proceeds of the Bonds and the Prior Authority Bonds are subject to the approval of the New York State Division of the Budget (“DOB”).

## Office for People with Developmental Disabilities

OPWDD is charged with developing a comprehensive, cost-effective, and integrated system to serve the full range of needs of individuals with developmental disabilities. OPWDD operates five Regional Offices, who oversee the provision of not-for-profit services, and six State Operations Offices, which are responsible for State-delivered programs and services. The 13 service districts within the State Operations Offices administer community-based and, where applicable, institutionally-based service programs for persons with developmental disabilities within regional catchment areas. Institutional programs offer residential care and habilitative services in campus settings, informally known as developmental centers, and at special population units located throughout the State. The community-based service programs, funded and regulated by OPWDD, reflect the cooperative efforts of local governments, voluntary not-for-profit service providers and OPWDD as a provider of services. Community programs include State- and voluntary-operated residential and day services, as well as a variety of support services to families and individuals living in their own homes, including respite and crisis intervention, which help prevent unnecessary and costly out-of-home placement. OPWDD is responsible for the regulation and licensing of certain Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain Voluntary Agency Facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes determining the need for the facility, review of plans and specifications for construction of the facility, inspections and audits and the establishment of a reimbursement rate for services. In addition, the capital costs and projected financing sources for any such Voluntary Agency Facilities financed from proceeds of the Bonds and the Prior Authority Bonds are subject to the approval of DOB.

## Office of Alcoholism and Substance Abuse Services

OASAS is responsible for assuring the development of comprehensive plans, programs and services in the areas of research, prevention, care, education, training, treatment and rehabilitation to address chemical dependencies and/or compulsive gambling problems of individuals and their families. OASAS operates 12 inpatient Addiction Treatment Centers (“ATCs”) that provide short-term intensive chemical dependence rehabilitation services. With the exception of the Kingsboro and the Van Dyke ATCs, all ATCs are housed on the grounds of State psychiatric centers. In addition, OASAS oversees an addiction treatment service system that provides a full array of drug, alcohol and compulsive gambling treatment, prevention and recovery programs that provide a continuum of care. The care ranges from short-stay detoxification centers to long-term drug and alcohol free residential communities. These services are provided to a large diverse population of approximately 234,000 individuals with substance use disorders (“SUD”) or gambling problems each year. Additionally, over 300,000 youth receive recurring prevention services annually.

OASAS also is responsible for the regulation and certification of certain Voluntary Agency Facilities financed with the proceeds of the Bonds, as well as certain Voluntary Agency Facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and certification includes determining the need for the facility, review of plans and specifications for construction of the facility, the right to conduct inspections and audits and the establishment of a reimbursement rate for client care. In addition, the capital costs and projected financing sources for any such Voluntary

Agency Facilities financed from proceeds of the Bonds and the Prior Authority Bonds are subject to the approval of DOB.

## Department Facilities

A listing of institutions operated by each office of the Department, by category, follows. This listing excludes numerous small facilities in which these offices provide community services.

### Office of Mental Health

#### Psychiatric Centers

Greater Binghamton Health Center	Mohawk Valley Psychiatric Center
Bronx Psychiatric Center	Pilgrim Psychiatric Center
Buffalo Psychiatric Center	Richard H. Hutchings Psychiatric Center
Capital District Psychiatric Center	Rochester Psychiatric Center
Creedmoor Psychiatric Center	Rockland Psychiatric Center
Elmira Psychiatric Center	St. Lawrence Psychiatric Center
Kingsboro Psychiatric Center	South Beach Psychiatric Center
Manhattan Psychiatric Center	

#### Children's Psychiatric Centers

New York City Children's Psychiatric Center <sup>(1)</sup>	Sagamore Children's Psychiatric Center
Rockland Children's Psychiatric Center	Western New York Children's Psychiatric Center

#### Forensic Facilities

Central New York Psychiatric Center	Mid-Hudson Forensic Psychiatric Center
Kirby Forensic Psychiatric Center	

#### Research Facilities

Nathan S. Kline Institute for Psychiatric Research
New York State Psychiatric Institute

(1) Chapter 56 of the Laws of 2012 (Part O, Section 1) created the New York City Children's Psychiatric Center as a singular facility resulting from the consolidation of the Bronx Children's Psychiatric Center, Queens Children's Psychiatric Center and Brooklyn's Children's Center.

## Office for People With Developmental Disabilities<sup>(2)</sup>

### Service Districts

Bernard M. Fineson Developmental Disabilities Services Office	Long Island Developmental Disabilities Services Office
Brooklyn Developmental Disabilities Services Office	Metro New York Developmental Disabilities Services Office
Broome Developmental Disabilities Services Office <sup>(3)</sup>	Staten Island Developmental Disabilities Services Office
Capital District Developmental Disabilities Services Office	Sunmount Developmental Disabilities Services Office
Central New York Developmental Disabilities Services Office	Taconic Developmental Disabilities Services Office
Finger Lakes Developmental Disabilities Services Office	Western New York Developmental Disabilities Services Office
Hudson Valley Developmental Disabilities Services Office	

### Other Facilities

- Institute for Basic Research in Developmental Disabilities
- Valley Ridge Center for Intensive Treatment<sup>(3)</sup>

## Office of Alcoholism and Substance Abuse Services

### Addiction Treatment Centers

Bronx Addiction Treatment Center	McPike Addiction Treatment Center
Charles K. Post Addiction Treatment Center	Russell E. Blaisdell Addiction Treatment Center
Creedmoor Addiction Treatment Center	Richard C. Ward Addiction Treatment Center
Dick Van Dyke Addiction Treatment Center	South Beach Addiction Treatment Center
John L. Norris Addiction Treatment Center	St. Lawrence Addiction Treatment Center
Kingsboro Addiction Treatment Center	Margaret A. Stutzman Addiction Treatment Center

(2) Chapter 56 of the Laws of 2012 reorganized OPWDD into five Regional Offices to oversee not-for-profit delivered services and six State Operations offices solely responsible for State-delivered programs. The DDSOs remain an integral part of service delivery for State-delivered services and will be overseen by the larger State Operations offices.

(3) Effective April 1, 2009, Valley Ridge Center for Intensive Treatment became part of Broome Developmental Disabilities Services Office.



## **Population**

### **Office of Mental Health**

OMH's comprehensive Five-Year Plan continues to support the programmatic and fiscal strategy of implementing an integrated community based system of care. While OMH continues to monitor the need for State adult inpatient hospitalization, the plan calls for continued development of a comprehensive and integrated community mental health system, for which OMH proposes sponsoring continued State capital assistance to the voluntary, not-for-profit provider network.

In FY 2018, consistent with the Enacted Budget, OMH will staff and operate 2,185 beds in adult psychiatric centers, 282 children's beds and 720 forensic beds. OMH also will continue implementation of the Sex Offender Management and Treatment Act ("SOMTA") at Central New York Psychiatric Center and St. Lawrence Psychiatric Center. In addition to inpatient hospital care, OMH will continue to provide residential services to more than 2,600 individuals in State-operated programs, and outpatient services to more than 27,500 individuals across the State.

### **Office for People with Developmental Disabilities**

Consistent with its comprehensive Five-Year Plan, OPWDD serves a diverse population of individuals with developmental disabilities. OPWDD's programs are characterized by two related service systems: a State-operated institutional system and a community-based system with programs run by both the State and voluntary not-for-profit agencies.

The State-operated institutional system provides residential care and habilitative services to individuals at developmental centers and related special population units located throughout the State. The FY 2018 Enacted Budget supports a census of 233 individuals at the beginning of the State fiscal year. During FY 2018, OPWDD will continue to move individuals residing in institutions to more appropriate community settings, and the FY 2018 Enacted Budget supports the development of community residential and non-residential services to support continued deinstitutionalization efforts and the transition of young adults aging out of either the special educational or foster care systems.

The voluntary- and State-operated community-based service system provides a variety of day and residential programs for individuals. The emphasis in these programs is on habilitative and vocational services to meet the individualized needs of persons with developmental disabilities. The FY 2018 Enacted Budget includes resources for a start-of-year census of approximately 7,000 individuals in State-operated community residential programs and approximately 4,000 individuals in State-operated day programs.

## Office of Alcoholism and Substance Abuse Services

Consistent with its comprehensive Five-Year Plan, OASAS supports a network of providers offering a continuum of services to treat and prevent substance use disorders and gambling problems. Treatment services are provided in inpatient, outpatient, and residential settings. New York State's continuum also includes school and community-based prevention services, as well as intervention, support, crisis, problem gambling and recovery services. While the majority of this system is operated by voluntary not-for-profit organizations, the State operates 12 ATCs.

The State-Operated ATCs primarily provide inpatient rehabilitation as well as a host of other specialized services. In FY 2018, consistent with the Enacted Budget, OASAS will staff and operate 572 beds in State-Operated ATCs throughout the state.

## Population Statistics

The following are actual and projected population statistics for the State- and voluntary-operated residential programs of OMH, OPWDD and OASAS:

Year (as of 3/31)	OMH		OPWDD		OASAS
	Psychiatric Center <sup>(1)</sup>	Community Residences <sup>(2)</sup>	Developmental Center	Community Residences <sup>(3)</sup>	Addiction Treatment Centers <sup>(5)</sup>
2008	3,934	30,600	1,657	34,148	652
2009	3,616	32,600	1,541	37,471	652
2010	3,388	34,300	1,434	37,909	600
2011	3,218	34,800	1,313	38,908	570
2012	2,970	36,200	1,169	39,012	570
2013	2,869	38,600	1,015	39,565	570
2014	2,655	39,600	702	41,525	570
2015	2,552	40,800	468	41,966	534
2016	2,390	42,200	297	42,314	530
2017	2,343	43,000	233	42,737	530
2018 <sup>(4)</sup>	2,185	44,500	150	43,165	530

<sup>(1)</sup> The actual and the estimated population statistics exclude 720 forensic beds and 282 children's beds. Figures beginning in 2007 also exclude individuals who are civilly committed to sexual offender treatment programs. Figures beginning in 2008 also exclude 20 forensic beds for which OMH maintains contingency plans depending on need. 20 beds for adult individuals with forensic or dangerous histories known as the Manhattan STAIR Unit are included in the actual and estimated population.

<sup>(2)</sup> Includes both licensed and unlicensed programs.

<sup>(3)</sup> Beginning in 2009, numbers reported include both licensed and unlicensed programs. Beginning in 2014, numbers reported include individuals living in supported apartments, individuals living in OPWDD-licensed private residencies, and temporary use beds.

<sup>(4)</sup> Includes ATC Inpatient Rehabilitation and Detoxification beds only.

<sup>(5)</sup> Estimated.

## Income Available for Prior Authority Annual Payments and Annual Payments

Under applicable State statutes, the Authority is required to establish and maintain with the Commissioner of Taxation and Finance, the Mental Hygiene Facilities Improvement Fund Income Account. The Authority is required to deposit therein or have credited thereto all payments made for the care, maintenance, and treatment of patients in every mental hygiene facility now or hereafter under the possession, jurisdiction, supervision and control of the Authority, all income from investments and all moneys received or to be received for the purposes of the Mental Hygiene Facilities Improvement Fund Income Account on a recurring basis. Following deposit of receipts in the Mental Hygiene Facilities Improvement Fund Income Account, amounts therein are transferred to the Services Fund pursuant to State law.

Substantially all of the Medicaid receipts shown below represent the Federal share thereof. The Federal government traditionally pays 50 percent under Medicaid and 100 percent under Medicare of allowable costs of covered services to eligible patients. The State share of Medicaid, which is used for inpatient services, is not available for the payment of Annual Payments and therefore is not reflected in the following tables.

The following table shows the amounts received in the Mental Hygiene Facilities Improvement Fund Income Account (not including Voluntary Agency Payments) and transferred to the Services Fund and that were available for (i) Prior Authority Annual Payments with respect to the Prior Authority Bonds, and Annual Payments with respect to the Bonds, and (ii) annual debt service for the Prior Authority Bonds and the Bonds, for FYs 2013 through 2017 inclusive.

**HISTORICAL RECEIPTS AVAILABLE FOR  
PRIOR AUTHORITY ANNUAL PAYMENTS AND ANNUAL PAYMENTS, AND ANNUAL DEBT SERVICE FOR  
PRIOR AUTHORITY BONDS AND THE BONDS  
(millions of dollars)**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Medicaid	\$3,023.62	\$1,690.20	\$1,767.81	\$1,296.85	\$1,209.79
Medicare	65.69	50.12	58.25	57.51	70.34
Other	<u>137.87</u>	<u>164.17</u>	<u>179.07</u>	<u>150.58</u>	<u>142.03</u>
Total	<u>\$3,227.18</u>	<u>\$1,904.49</u>	<u>\$2,005.13</u>	<u>\$1,504.93</u>	<u>\$1,422.15</u>
Annual Debt Service	\$311.18	\$295.58	\$255.81	\$202.45	\$195.53
Debt Service Coverage	10.37x	6.44x	7.84x	7.43x	7.27x

The following table prepared by OPWDD, OMH and OASAS, in consultation with the State DOB, is based upon the FY 2018 Enacted Budget, and shows the projected receipts available for payment of annual debt service for the Prior Authority Bonds and the Bonds. This table also includes projected annual debt service for the Prior Authority Bonds and the Bonds.

**PROJECTED RECEIPTS AVAILABLE FOR PRIOR AUTHORITY  
ANNUAL PAYMENTS AND ANNUAL DEBT SERVICE FOR  
THE PRIOR AUTHORITY BONDS AND THE BONDS  
(millions of dollars)**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPWDD</b>					
Medicaid <sup>(2)</sup>	\$831.75	\$770.75	\$695.75	\$695.75	\$695.75
Medicare	0.10	0.10	0.10	0.10	0.10
Other	<u>50.53</u>	<u>50.53</u>	<u>50.53</u>	<u>50.53</u>	<u>50.53</u>
Subtotal	\$882.38	\$821.38	\$746.38	\$746.38	\$746.38
<b>OMH</b>					
Medicaid	\$511.51	\$494.27	\$382.62	\$389.32	\$366.54
Medicare	53.30	53.30	53.30	53.30	53.30
Other	<u>65.19</u>	<u>65.41</u>	<u>65.62</u>	<u>59.01</u>	<u>59.22</u>
Subtotal	\$630.00	\$612.98	\$501.54	\$501.63	\$479.06
<b>OASAS</b>					
Other	<u>\$20.41</u>	<u>\$20.41</u>	<u>\$20.41</u>	<u>\$20.41</u>	<u>\$16.41</u>
Justice Center	<u>\$2.00</u>	<u>\$4.00</u>	<u>\$4.00</u>	<u>\$4.00</u>	<u>\$4.00</u>
Gross Receipts	<u>\$1,534.79</u>	<u>\$1,458.77</u>	<u>\$1,272.33</u>	<u>\$1,272.42</u>	<u>\$1,245.85</u>
 Annual Debt Service <sup>(1)</sup>	 \$176.52	 \$145.69	 \$116.43	 \$102.13	 \$75.26
Debt Service Coverage <sup>(1)</sup>	8.7x	10.0x	10.9x	12.5x	16.6x

<sup>(1)</sup> Includes debt service on all outstanding bonds. However, this does not include amounts equal to the debt service on the Personal Income Tax (PIT) Revenue Bonds that were issued to finance State Facilities and Voluntary Agency Facilities and are required to be retained in the Services Fund and transferred to the Revenue Bond Tax Fund. On a going forward basis it is assumed that PIT Revenue Bonds will be used to finance all State Facilities and Voluntary Agency Facilities.

<sup>(2)</sup> Includes reduction of \$100 million in FY 2017 and the following 10 fiscal years in Federal Financial Participation consistent with the OPWDD settlement agreement with CMS to resolve a disallowance regarding previous state reimbursement methodologies of Medicaid services.

## Factors Affecting Revenue Projections

As with any long-term projection, the level of revenue expected to be received by the Department in the above projections is dependent on many factors. Among these are patient and client census, the certification status of facilities as participants in the Medicare and Medicaid programs, and Federal and State reimbursement policies. A change in any of these factors can affect the revenues to be deposited in the Services Fund.

*Census* - Both total census and the proportion of patients who are Medicaid- or Medicare-eligible or can otherwise pay for their care are subject to change and therefore affect total revenue. Of particular significance is that over three quarters of OMH revenue is received through the Medicaid program, which does not provide reimbursement of inpatient costs for individuals from the ages of 21 through 64. To the extent the projection of total census or of the proportion of the population eligible for Medicaid is incorrect, revenue may be above or below projected levels. Assumptions regarding the percent of the age-eligible population that will meet billing criteria is also a factor. The Department considers census assumptions for the FY 2018 through FY 2022 forecast years to be relatively conservative.

No age limitations are imposed on OPWDD Medicaid eligibility, and most consumers are Medicaid-eligible.

*Certification* - Department facilities are periodically reviewed by Federal surveyors to determine continued eligibility as certified Medicaid or Medicare service providers. The revenue projections outlined above may be overstated to the extent that any facility loses certification. Substantial State investment is made to retain certification at all facilities. All OPWDD developmental centers, OMH psychiatric centers, and OASAS ATCs are currently certified by appropriate Federal and State regulatory agencies.

General Hospitals have been the focus of Federal efforts to control Medicare expenditures using Peer Review Organizations. However, their focus could shift to reviewing specialty hospitals, potentially impacting revenue. To date, less than 5 percent of cases reviewed have led to disallowances, and all the disallowances have been appealed.

*Other* - In addition to these specific factors, all claims are subject to audit and review by the Federal government and have on occasion resulted in disallowances. The potential for future disallowances remains but is not subject to forecast.

Over the last several years, various Federal legislative initiatives have been proposed to reduce the growth in Federal Medicaid and Medicare spending. The current Federal budget establishes limits on the amount of Federal disproportionate share payments made to mental hygiene facilities. The Department's Medicaid revenue projections largely reflect these changes and continued claiming under a fee-for-service Medicaid program, which utilizes trend factors, volume adjustments, capitated payments and other rate methodologies. The Department anticipates some decline in revenues due to continued census decline, changes in capitated program initiatives and lower spending on State institutions. Additionally, it is not known what the long term impact of the Federal Affordable Care Act will be on Department revenues, particularly for disproportionate

share payments. The forecast presented above reflects these factors, and the Department believes that such decline will not materially affect the State's ability to make required Prior Authority Annual Payments and Annual Payments.

Despite the potential influences on projected revenues described herein, the State believes that the forecast presented above is reasonable.

## **Disposition of Facilities**

In the past, the State has closed a number of mental hygiene services facilities, some of which have been sold. The proceeds from the sale of such facilities with bonds outstanding have been used to redeem and/or defease certain Prior Authority Bonds and the Bonds or deposited into the Services Fund. Certain other closed facilities are being offered for sale but are not yet under contract or are under contract but have not closed. If and when such sales become finalized for facilities with bonds outstanding, the proceeds from the sales will be used to redeem and/or defease certain Prior Authority Bonds or the Bonds or deposited into the Services Fund. Negotiations for contracts of sale are taking place for certain other closed mental hygiene services facilities. It is possible that such facilities will be sold or conveyed to entities other than the Authority or the Department. Any such sale or conveyance would be required to comply with the provisions of the related agreements and the Prior Authority Resolution and related agreements, as applicable, including any applicable covenants as to preserving the tax-exempt status of the Prior Authority Bonds and the Bonds. Additional Prior Authority Bonds and the Bonds may be redeemed and/or defeased as a result of such sale or conveyance.

## State Appropriations

The successful maintenance and operation of the Department, the payment of the Prior Authority Annual Payments, and the Annual Payments and the marketability of the Bonds, are dependent upon the ability and willingness of the State Legislature to continue making appropriations in the amounts required for both the operation of the Department and the payment of the Prior Authority Annual Payments and the Annual Payments. There can be no assurance, however, that State appropriations of funds will be available in the amounts contemplated or required by the Department.

The costs of operating each of the offices of the Department are met principally out of appropriations made by the State Legislature from the State's General Fund and out of moneys deposited in the Services Fund which are not required for the payment of Prior Authority Annual Payments and Annual Payments and are therefore released from the lien of the pledge and assignment to the Authority.\* These excess funds are transferred to a special operating account (called the Mental Hygiene Patient Income Account) for OMH, OPWDD and OASAS.

The appropriations made by the State Legislature from the General Fund for the operations of OMH, OPWDD and OASAS for the FYs 2008 through 2018 are as follows:

State Fiscal Year	OMH	OPWDD	OASAS	Total
2008	\$ 754,655,000	\$ 472,028,000	\$ 60,543,000	\$1,287,226,000
2009 <sup>(1)</sup>	1,107,057,000	375,600,000	94,207,000	1,576,864,000
2010	1,045,439,000	523,630,000	102,739,000	1,671,808,000
2011	863,466,000	537,910,000	97,725,000	1,499,101,000
2012	947,943,000	1,016,714,700	99,795,500	2,064,453,200
2013	645,806,000	1,011,937,000	101,325,000	1,759,068,000
2014	654,182,000	973,936,000	102,256,000	1,730,374,000
2015	673,051,000	958,327,000	99,737,000	1,731,115,000
2016	673,051,000	1,023,327,000	99,737,000	1,796,115,000
2017	675,251,000	1,023,327,000	102,448,000	1,801,026,000
2018	686,965,000	1,047,530,000	102,715,000	1,837,210,000

<sup>(1)</sup> Beginning in FY 2009, the General Fund is replaced by the Special Revenue Fund, Mental Hygiene Program Fund Account. In addition, all DMH fringe benefit costs are budgeted within each agency instead of in a central appropriation. Appropriated amounts in the Special Revenue Fund, Mental Hygiene Program Fund Account are funded by the General Fund.

\* Amounts retained in the Services Fund with respect to debt service payments on PIT Bonds for State Facilities and Voluntary Agency Facilities (and subsequently transferred to the Revenue Bond Tax Fund) are not available to be transferred to the hereinafter referred to Mental Hygiene Patient Income Account.

The appropriations made by the State Legislature from the Mental Hygiene Patient Income Account for the operations of OMH, OPWDD and OASAS for FYs 2008 through 2018 are as follows:

State Fiscal Year	OMH	OPWDD	OASAS	Total
2008	\$ 543,167,000	\$2,086,250,000	\$21,500,000	\$2,650,917,000
2009	806,728,000	2,067,814,000	31,295,000	2,905,837,000
2010 <sup>(1)</sup>	978,601,000	1,955,079,000	22,200,000	2,955,880,000
2011	1,242,974,000	2,043,852,000	22,848,000	3,309,674,000
2012	1,078,629,000	1,129,683,000	9,689,100	2,218,001,100
2013	1,375,638,000	1,124,374,000	8,966,000	2,508,978,000
2014	1,423,725,000	1,105,413,000	9,310,000	2,538,448,000
2015	1,499,728,000	1,072,881,000	9,242,000	2,581,851,000
2016	1,499,728,000	1,104,077,000	9,242,000	2,613,047,000
2017	1,499,728,000	1,110,577,000	9,916,000	2,620,221,000
2018	1,566,669,000	1,097,463,000	10,007,000	2,674,139,000

<sup>(1)</sup> For the period prior to FY 2010, the appropriation for OASAS included funds made available through the OASAS Federal Salary Sharing Account. That account was eliminated beginning in FY 2010.

## Litigation Affecting the Department

The Department at any given time is involved in a number of legal actions and proceedings. The greater number involve special proceedings seeking the reversal of various administrative determinations. A number of cases are pending against the State in the Court of Claims seeking damages in tort or under contracts involving the Department. Other cases involve actions brought under the Americans With Disabilities Act and other related laws, which seek to require the State to develop additional services and/or housing for persons with mental illnesses in the most integrated setting appropriate to their needs. Another area involves claims alleging deprivation of a patient's Federal constitutional rights by employees of the Department pursuant to 42 U.S.C. Section 1983 and the Civil Rights of Institutionalized Persons Act. Upon the basis of information presently available, the Department believes that there are substantial defenses in connection with said disputes. The Department further believes that, in any event, its ultimate liability, if any, resulting from such disputes should not materially affect its financial position; should be satisfied from moneys available to the Department from State appropriations and insurance funds; and should in no way affect the Department's obligations or its ability to carry out its obligations under the provisions of the Financing Agreements.



## **Section 2: Subsection K**

# **New York State Housing Finance Agency, Health Facilities Revenue Bonds (New York City) and Dormitory Authority of the State of New York, Municipal Health Improvement Program Lease Revenue Bonds (The City of New York Issues)**

### **“State Appropriations for Medicaid”**

This Subsection K contains the information required to be updated annually pursuant to applicable Continuing Disclosure Agreements relating to obligations issued, respectively, by the New York State Housing Finance Agency for Health Facilities Revenue Bonds (New York City) and the Dormitory Authority of the State of New York for Municipal Health Improvement Program Lease Revenue Bonds (The City of New York Issue).

Capitalized terms used in this Subsection K and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.



State Medicaid payments made to the City as State Aid or on behalf of the City to Medicaid providers are funded through annual appropriations from the State Legislature for the support of the State Medicaid program and are therefore dependent upon the availability of financial resources and the allocation thereof. The Medicaid program may also be affected by State or Federal legislation relating to the health care system in general. The total annual amount of State Aid paid to the City pursuant to Section 368-a of the Social Services Law and funds appropriated for the purpose of making payment on behalf of the City pursuant to section 367-b of such Law for the fiscal years ended March 31, 2013 through March 31, 2015 (the most recent fiscal year for which data is available) were as follows:

<b>State Fiscal Year</b>	<b>Annual Amount of State Medicaid Payments to or on behalf of the City <sup>(1)(2)</sup></b>
2013	\$10,114,058,254
2014	9,934,605,487
2015	10,586,136,586

<sup>(1)</sup> Due to a lengthy adjustment period, during which Medicaid claims can be revised, there is typically a two-year lag in assembling these numbers.

<sup>(2)</sup> Additional Federal funding associated with the Patient Protection and Affordable Care Act (PPACA) is included beginning in January 2014.

The total amount of State Aid paid to or on behalf of the City pursuant to Section 367-b and Section 368-a of the Social Services Law as related only to the services and or facilities provided by the health facilities owned, leased or operated by the City for FY 2014 was approximately \$345,528,674. The total amount for FY 2015 was approximately \$321,254,130.

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## **Section 2: Subsection L**

### **Dormitory Authority of the State of New York, Department of Health of the State of New York Revenue Bonds**

#### **“The Department of Health” and “The Medical Care Facilities”**

This subsection L contains the information required to be updated annually pursuant to applicable Continuing Disclosure Agreements relating to obligations issued by the Dormitory Authority of the State of New York for the Department of Health of the State of New York Revenue Bonds.

Capitalized terms used in this subsection L and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.



## General

The Department is a civil department of the State created pursuant to Article 2 of the Public Health Law.

The mission of the Department is to ensure the availability of appropriate high quality health services at reasonable cost to all State residents. The Department's responsibilities include:

1. Promoting and supervising public health activities throughout the State;
2. Ensuring sound, cost-effective medical care for all residents; and
3. Reducing the heavy toll taken by chronic disabling illnesses, including heart disease, cancer, stroke and respiratory diseases.

These objectives are achieved through a coordinated network of administrative units, including the Department's major operating arms, the Office of Public Health ("OPH"), the Office of Primary Care and Health Systems Management ("OPCHSM") and the Office of Health Insurance Programs ("OHIP") and through a system of area and field offices that conduct health facility surveillance, public health monitoring and direct public health activities. The Department is the agency designated for administering Federal moneys allotted for health work under the Public Health Service Act, the Social Security Act and other Federal authorizations. Single State agency responsibilities under Title 19 of the Social Security Act for the Medical Assistance Program were transferred from the former Department of Social Services to the Department in legislation enacted in 1996 and 1997. Finally, the Department operates facilities engaged in advanced medical research and patient care through its Health Facilities Management Group.

The Department currently carries out its responsibilities through 15 budgetary programs: Administrative and Executive Direction; Center for Environmental Health; Center for Community Health; AIDS Institute; Wadsworth Center for Laboratories and Research; Office of Primary Care and Health Systems Management; Office of Health Insurance Programs; Medical Assistance Program; Medical Assistance Administration Program; Child Health Insurance Program("CHIP"); Essential Plan; Medical Marihuana; Elderly Pharmaceutical Insurance Coverage ("EPIC") Program; HCRA; and the Health Facilities Management Program.

The State's Public Health Law enumerates six facilities as part of the Department: the Roswell Park Cancer Institute (the "Institute"), the Helen Hayes Hospital (the "Hospital"), the New York State Home for Veterans and their Dependents at Oxford (the "Home"), the New York State Home for Veterans in the City of New York (the "Veterans Home"), the New York State Home for Veterans in Western New York (the "WNY Veterans Home") and the New York State Home for Veterans in the Lower Hudson Valley (the "HV Veterans Home"). The Legislature has the power to decide whether or not the Department will continue to operate and maintain any of these facilities or programs. In 1999, the State transferred the Institute to a separate public benefit corporation, Roswell Park Cancer Institute Corporation ("RPCI"). The Legislature also may decide in the future to add by legislation additional facilities to the Department.

## Fiscal Structure

The Department receives annual appropriations from the Legislature to operate all authorized programs and to provide specific services.

The Legislature appropriates moneys from the State's General Fund to the Department to meet the operational costs of the Department for program operations not otherwise supported by Federal or other funds. Within the total amount appropriated, funds may be interchanged or transferred between programs upon recommendation of the Commissioner of Health (the "Commissioner") and the approval of the State Budget Director, according to the formula established in the State Finance Law. These monies are not available for deposit to the Health Income Fund. The Legislature appropriated \$7,600,000 from the State's Capital Projects Fund for FY 2018 for repairs and maintenance of the Hospital, the Home, the Veterans Home, the WNY Veterans Home, and the HV Veterans Home.

In addition to the appropriation of State funds, the Legislature also appropriates moneys made available by the Federal government for Department programs. None of the funds allocated by Federal agencies to the Department have been appropriated for the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home.

The FY 2018 Enacted Budget includes funds appropriated to the Department from 119 Special Revenue Accounts including, pursuant to Chapter 433 of the Laws of 1997, accounts supporting the operating budget for the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. Revenue is deposited in the self-supporting accounts from fees, assessments and other charges as specified in law or regulation. Expenditures from these accounts are limited to the specific purpose of the individual account.

Patient care revenues received by the Department relating to the Veterans Home are deposited into the Veterans Home Income Fund. Amounts in excess of that required to be held by the Comptroller in the Veterans Home Income Fund are directly transferred periodically to the New York City Veterans Home Account, which was also authorized by Chapter 433 of the Laws of 1997. Funds in the New York City Veterans Home Account are appropriated for operation of the Veterans Home.

The amounts on deposit in the Veterans Home Income Fund and the New York City Veterans Home Account do not secure the payment of amounts due under the Agreement.



## The Health Income Fund

The Health Income Fund is established in the custody of the Comptroller pursuant to Section 409 of the Public Health Law. The moneys on deposit in the Health Income Fund are kept separate and are not commingled with any other moneys held by the Comptroller. All of the revenues received by the Department for the care, maintenance and treatment of patients at the Institute, the Hospital, the Home, the WNY Veterans Home, and the HV Veterans Home, together with certain other moneys and miscellaneous receipts less certain payments and refunds made pursuant to law, are paid by the Commissioner to the Comptroller for deposit in the Health Income Fund. The revenues received by the Department for the care, maintenance and treatment of these patients come from Medicare, Medicaid, Blue Cross, private insurance companies and from the patients directly. Pursuant to Chapter 293 of the Laws of 1992, a clinical practice plan has been established at the Institute which provides for the collection and disbursement of clinical practice income resulting from the clinical practice of licensed health professionals employed by the Institute. Such clinical practice income is not factored in as part of the revenues of the Institute or the Health Income Fund.

Section 409 of the Public Health Law requires that the Comptroller maintain at all times in the Health Income Fund the amount of money needed by the Department during the next succeeding six calendar months to comply in full with all obligations of the Department under the Agreement, including amounts necessary to make payments under the Agreement during such period and to establish and maintain reserves. The Comptroller, at least biweekly, is required to pay to RPCI any moneys in the Health Income Fund which the Commissioner attributes to the operation of RPCI and which are in excess of the amount required to be maintained by the Comptroller in the Health Income Fund pursuant to Public Health Law Section 409. As discussed below under the subheading "DOH Hospital Holding Account and Facility-Specific Operating Accounts," the Comptroller from time to time, but in no event later than the last day of March, June, September and December of each year is required to deposit to the DOH Hospital Holding Account all moneys in the Health Income Fund in excess of the amount required to be maintained in the Health Income Fund described above. These moneys, in turn, are transferred to the Helen Hayes Hospital Account, the New York State Home for Veterans and Their Dependents at Oxford Account, the Western New York Veterans Home Account, and the New York State Home for Veterans in the Lower Hudson Valley Account. This transfer from the DOH Hospital Holding Account to these four accounts is based upon the amount the Hospital, the Home, the WNY Veterans Home and the HV Veterans Home deposit into the Health Income Fund. The moneys in the Health Income Fund shall be paid out on the audit and warrant of the Comptroller on vouchers approved by the Commissioner or his designee. Subject to the power to pay out such excess moneys in the Health Income Fund to RPCI and the DOH Hospital Holding Account, the Department in the Agreement has pledged and assigned to the Authority, subject to appropriation, all moneys in the Health Income Fund and all moneys which may be received by the Department and credited to the Health Income Fund.

Revenues on an audited cash, rather than an accrual, basis generated during the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018, for the Institute, the Hospital, the Home, the WNY Veterans Home, and the HV Veterans Home as deposited in the Health Income

Fund, are listed in the table below. The table also reflects the manner in which the revenues were used or are expected to be used (i.e., actual payments for debt service and transfers to the operating accounts or the RPCI for each year) as well as the ratio of Receipts in Health Income Fund to Health Income Fund Debt Service Payments ("Debt Service Coverage").

**HEALTH INCOME FUND**  
(thousands of dollars, except ratios)

State Fiscal Year Ended March 31	Receipts in Health Income Fund	Health Income Fund Debt Service Payments <sup>(1)</sup>	Available for Transfer to Facility-Specific Operating Accounts of RPCI Corporation <sup>(1)</sup>	Debt Service Coverage
2013	\$506,348	\$28,165	\$478,183	18x
2014	524,701	27,882	496,819	19x
2015	572,538	28,330	544,208	20x
2016	605,836	28,628	577,208	21x
2017 (Prelim.)	653,381	26,755	626,626	24x
2018 (Est.)	628,397	27,223	601,174	23x

Source: Department of Health.

<sup>(1)</sup> Available fund balance may be increased or decreased, depending on the need to set aside future debt service payments, which would result in the transfer amount being adjusted accordingly.

## DOH Hospital Holding Account and Facility-Specific Operating Accounts

The DOH Hospital Holding Account is a special account established by the Comptroller. At any time, but no later than the last day of each March, June, September and December, amounts in the Health Income Fund in excess of the amount required to be maintained therein or paid to RPCI are paid over by the Comptroller to the DOH Hospital Holding Account, and transferred, respectively, to the Helen Hayes Hospital Account, the New York State Home for Veterans and Their Dependents at Oxford Account, the Western New York Veterans Home Account, and the New York State Home for Veterans in the Lower Hudson Valley Account. The moneys in these four accounts are generally available for paying the costs related to the provision of health services to patients at the facilities, including the payment of costs for research, training, personal services and the costs of operating and maintaining such facilities. Pursuant to Chapter 293 of the Laws of 1992 and Chapter 505 of the Laws of 1995, the moneys become available, respectively, from these facility-specific operating accounts when the Commissioner executes a certificate of allocation and schedule of amounts to be available therefore. The moneys are payable from these operating accounts upon audit and warrant of the Comptroller on vouchers approved by the Commissioner or his designee. See preceding section entitled "The Health Income Fund" for information on RPCI revenue.

## Sources of Operating Funds

The following table reflects the Department's State Operations appropriations for the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. As such this represents the maximum authority to spend, or budgeted levels, as approved by the Legislature and does not necessarily reflect actual spending levels.

State Fiscal Year Ended March 31	Appropriated for Facility- Specific Operating Accounts <sup>(1)(2)</sup>
2013	\$148,753,000
2014	148,753,000
2015	147,692,000
2016	147,962,000
2017	147,962,000
2018 <sup>(3)</sup>	161,013,000

<sup>(1)</sup> Exclusive of minor amounts available for patient benefits from gifts and bequests.

<sup>(2)</sup> These funds are transferred to individual Special Revenue Fund-Other accounts supporting the respective operating budgets of the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. The amounts shown here are from revenues derived from these facilities and vary in some degree from the revenues of such facilities as reflected in their financial statements for the years indicated, due to differences in accounting procedures and other factors.

<sup>(3)</sup> Reflects the FY 2018 Enacted Budget.

## Employee Relations and Indemnity

As of March 31, 2017 the Department employed approximately 4,872 full-time equivalent employees, including approximately 1,454 full-time equivalent employees at the Hospital, the Home, the WNY Veterans Home, the HV Veterans Home and the Veterans Home. (Individuals at the Institute are considered employees of the RPCI rather than the Department and are not included as part of this number.) Employees of the Department are State employees. Section 17 of the Public Officers Law requires the State to save harmless and indemnify its employees from financial loss arising out of any claim, demand, suit or judgment by reason of alleged intentional wrong doing, negligence or other act by State employees provided that the employee was acting in the scope of his duties and did not commit a willful or wrongful act. The law further provides that the Attorney General may represent such employees.

Any actions involving malpractice claims brought against the Department are actions brought against the State itself. The State does not carry insurance with respect to malpractice claims and is a self-insurer for the payment of any judgments which may be rendered against the State for any such actions.

## General

Section 403 of the Public Health Law enumerates the facilities which are part of the Department: the Institute, the Hospital, the Home, the Veterans Home, the WNY Veterans Home and the HV Veterans Home. Revenues for all facilities, except the Veterans Home, are deposited in the Health Income Fund.

## Roswell Park Cancer Institute

The Institute was founded in 1898 and became a State Institute in 1911. In 1971, it was one of the first three institutions certified as a comprehensive cancer center by the National Cancer Institute. As such, it is committed to combat cancer through basic research, clinical research and treatment, and professional and public education. There are 45 such centers designated in the United States. The Institute is a facility licensed for 133 beds and operating 133 beds, and an ambulatory care center containing 12 multidisciplinary care centers with a staff of over 3,000 members, including clinical staff physicians, residents, fellows, and research staff.

In order to meet the demands of the changing health care marketplace and to promote the strengths and capabilities of the Institute, Chapter 5 of the Laws of 1997 added a new Title 4 to Article 10-c of the Public Authorities Law authorizing the RPCI. This legislative authorization was intended to change the Institute's governance structure to afford it market and managerial flexibility. Among the special powers granted by the legislation to RPCI were the powers to contract with the State to operate, manage, superintend and control the Institute, and to establish, collect, and adjust fees, rental and other charges in connection with the operation of the Institute.

Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department, acting on behalf of the State, entered into an Operating Agreement with RPCI pursuant to which operating responsibility for the Institute was transferred to RPCI effective January 1, 1999, and giving RPCI substantial independence in operating the Institute, including the power to establish operating budgets, to establish and implement strategic business plans, to create subsidiary and affiliated entities, to enter into affiliations and alliances with other health care providers and to establish, collect and adjust fees, rentals and other charges in connection with the operation of the Institute.

Revenues generated by RPCI as a result of operating the Institute continue to be revenues of the State and are required to be deposited into the Health Income Fund for payment of debt service on the Bonds. After allowing for accumulation of the amount the Comptroller is required to maintain in the Health Income Fund pursuant to Public Health Law Section 409 and a reserve for refunds, the remaining revenues which the Commissioner attributes to the operations of RPCI are transferred to RPCI at least biweekly by the Comptroller.

The following table provides historic utilization data for the Institute for the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018.

State Fiscal Year Ended March 31	Annual Average Beds in Service	Annual Average Inpatient Occupancy Rate <sup>(1)</sup>	Outpatient Visits
2013	127	84%	204,450
2014	132	79%	199,960
2015	133	78%	201,490
2016	133	81%	215,424
2017 (Prelim.)	133	80%	231,987
2018 (Est.)	133	82%	246,578

<sup>(1)</sup> Based on annual average beds in service. Annual average beds in service during the reporting period represent a better point of comparison for the Institute's performance than its certified 133 bed level.

The Institute has undergone several key transitions over the last several years, including a major modernization of its Buffalo campus and a change in governance as noted above. RPCI's responsibility is to ensure the fiscal and programmatic integrity of the facility. The Institute is affiliated with the University of New York at Buffalo and has numerous affiliation agreements with other educational institutions and hospitals. Training provided by the Institute under these agreements include medical, nursing and medical research. For the fiscal year ending March 31, 2018, the Institute is projected to generate 81 percent of the patient care revenues deposited in the Health Income Fund.

## Helen Hayes Hospital

The Hospital was established in 1900 primarily to provide care to children with disabilities. Since then, and particularly in recent years, the patient population and the services provided have changed dramatically. The Hospital has evolved into a comprehensive rehabilitation center offering a multi-specialty approach to medical rehabilitation and treatment of chronic diseases as well as specialized surgical services. The Hospital is the largest freestanding rehabilitation center in New York State. Research is also an integral component of the Hospital's operation and it also involves unique protocol studies directed at treatment and prevention of disabling diseases such as osteoporosis. In addition, the Hospital has established a 25-bed Skilled Nursing Unit and Transitional Rehabilitation Center to increase the continuum of services provided to patients.

The following table provides historic utilization data for the Hospital for the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018.

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate	Outpatient Visits
2013	63%	53,403
2014	63%	55,087
2015	66%	50,800
2016	69%	56,000
2017 (Prelim.)	66%	56,000
2018 (Est.)	66%	56,000

The Hospital has been subject to the same market forces that have affected other acute care facilities in New York State. As a specialized rehabilitation facility, the Hospital must attract and retain a specialized staff, particularly in the various rehabilitation therapies. The national shortage of skilled medical professionals experienced over the past several years has had an impact on the Hospital's ability to maintain and increase its outpatient volume.

The Hospital is affiliated with Columbia University's College of Physicians and Surgeons in a formal residency program and the College participates with the Hospital in developing teaching and service programs. Pursuant to an affiliation agreement, New York Presbyterian Hospital serves as the Hospital's contracting agent for the employment of physicians and physical therapists for the Hospital. For the fiscal year ending March 31, 2018, the Hospital is projected to generate 9 percent of the patient care revenues deposited in the Health Income Fund.

## New York State Veterans Home at Oxford

The Home admitted its first residents in 1897, when its primary mission was to provide room and board for Civil War veterans and their wives and other dependents. Historically, admission was limited to veterans and their dependents of U.S. wars through World War II and was prioritized by earliest service. Recent legislative changes opened admission to all veterans and prioritizes admissions by severity of illness and wartime status rather than by service date. The Home's total bed capacity is 242 beds and is projected to provide care, for the year ending March 31, 2018 on average, to 239 residents.

The annual average occupancy rate for the Home for the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018, is described in the following table:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate
2013	97%
2014	96%
2015	96%
2016	96%
2017 (Prelim.)	96%
2018 (Est.)	85%

For the fiscal year ending March 31, 2018, the Home is projected to generate 4 percent of the patient care revenues deposited into the Health Income Fund.

### New York State Home for Veterans in Western New York

The WNY Veterans Home in Batavia began admissions of residents in August of 1995. This facility also provides care for veterans and their dependents prioritized by degree of illness rather than by service date. The facility's bed capacity is 126.

The annual average occupancy rate for the WNY Veterans Home for the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018, is described in the following table:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate
2013	96%
2014	95%
2015	93%
2016	91%
2017 (Prelim.)	96%
2018 (Est.)	93%

For fiscal year ending March 31, 2018, the WNY Veterans Home is projected to generate 2 percent of the patient care revenues deposited into the Health Income Fund.

## New York State Home for Veterans in The Lower Hudson Valley

The HV Veterans Home was authorized by legislation in 1994. Construction was completed in mid-2001 and resident admissions began in September 2001. The 252-bed facility is on the grounds of the Veterans Administration Hospital in Montrose, NY. The design is based on the cluster model used for the WNY Veterans Home in Batavia, which has received national recognition for cost efficient delivery of health care.

The annual average occupancy rate for the HV Veterans Home for the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018, is described in the following table:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate <sup>(1)</sup>
2013	98%
2014	96%
2015	93%
2016	93%
2017 (Prelim.)	93%
2018 (Est.)	93%

<sup>(1)</sup> Based on annual average beds in service of 252.

For the fiscal year ending March 31, 2018 the HV Veterans Home is projected to generate 4 percent of the patient care revenue deposited into the Health Income Fund.

## Reimbursement Process

The Hospital and the Institute are considered “specialty” facilities and, for reimbursement purposes, have historically been exempt from the case methodology applied to other facilities. However, with the implementation of HCRA, which took effect during 1997 and the conversion from historic reimbursement and the move to managed care contracting, both facilities have entered into several contracts to provide medical services. The Institute is considered to be a Prospective Payment System (“PPS”) facility for Medicare and is reimbursed on a cost basis for this payor. At the Hospital, Medicare established a new PPS reimbursement methodology for rehabilitation hospitals, which was effective April 1, 2002. This new methodology is based upon a case payment per discharge rather than the per diem payment which existed previously. Research costs are considered non-allowable and are not included in the calculation of the rates. The facilities also receive additional reimbursement for uncollectible bad debts and charity write-offs from regional and statewide pools; the bad debt write-off, however, is less than 2 percent due to screening and insurance verification of patients prior to admission.



Medicaid reimbursement for the Home and the WNY Veterans Home and the HV Veterans Home is based on a Statewide Regional Pricing model which was implemented in 2012. This methodology is partially based on a case-mix assessment. The Statewide Pricing Model also incorporates the cost of care incurred and provides some financial incentives to admit “high intensity” patients by linking payments to the level of services provided. The Medicaid Statewide Pricing Model also incorporates other factors such as: size of the facilities; geographic location, 2007 operational cost, and quality measures in the determination of the final payment rate. Beginning in January 2015, the Veterans Homes transitioned to Medicaid Managed Long Term Care contracts with provider organizations. These organizations will pay the published Medicaid Rate including capital for a three year grace period. After the grace period is concluded the homes will receive a negotiated rate.

For Medicare, the reimbursement methodology for the Home, the WNY Veterans Home and HV Veterans Home is the same and is based on the PPS, which uses the average cost for the respective regions. For the veterans homes in the program, this has proven beneficial as the average regional cost exceeds the facility-specific cost, resulting in a higher rate of reimbursement for the veterans homes, which have also converted from a “flat rate” average charge to “fee for service.” In addition to a room and board charge, the veterans homes bill for actual charges for pharmacy, therapies and other such ancillary services.

To further enhance collections at the Institute and the Hospital, a discrete Department of Law collection unit has been established with sites at each facility. A discrete unit has also been established to provide collection services to the Home, the WNY Veterans Home and the HV Veterans Home. The Department of Law serves as the facilities’ collection agency since by law the facilities cannot, with certain exceptions, refer uncollectible accounts to outside agencies and have no authority to write off bad debts. Only the Attorney General and the Comptroller have the authority to write off bad debts.

## Cash Receipts

Receipts for patient care and other miscellaneous income are deposited into the Health Income Fund on a weekly basis. The following tables display the final amount of cash receipts from each revenue source at the five facilities for the previous fiscal years for which data are available. Facility cash receipts vary with receipts into the Health Income Fund because of timing differences in the recording of the respective funds.

### CASH RECEIPTS FROM PATIENTS AND MISCELLANEOUS INCOME

	2012-13	2013-14	2014-15	2015-16	2016-17 <sup>(1)</sup>
<b>Roswell Park Cancer Institute</b>					
Medicare	\$63,506,056	\$63,520,738	\$84,291,527	\$73,301,377	\$78,493,272
Medicaid	6,887,123	5,978,990	5,577,006	4,027,661	4,234,280
Blue Cross	112,593,405	123,412,222	123,545,865	134,311,126	148,948,168
Other Third Party Payors	185,063,310	181,360,298	199,659,920	218,073,077	245,139,933
Self-Pay	<u>4,575,829</u>	<u>4,874,278</u>	<u>5,204,968</u>	<u>6,414,345</u>	<u>7,350,528</u>
TOTAL	<u>\$372,625,723</u>	<u>\$379,146,526</u>	<u>\$418,279,286</u>	<u>\$436,127,586</u>	<u>\$484,166,181</u>
<b>Helen Hayes Hospital</b>					
Medicare	\$23,836,477	\$22,107,031	\$29,622,761	\$27,829,665	\$25,796,385
Medicaid	3,895,738	3,572,594	3,886,093	4,034,388	3,170,213
Blue Cross	7,809,929	7,627,589	6,711,645	7,537,989	7,241,191
Other Third Party Payors	12,323,498	14,111,208	14,022,944	13,438,197	9,384,648
Self-Pay	756,193	802,724	926,523	580,636	604,792
Other	<u>4,618,530</u>	<u>2,375,508</u>	<u>5,031,708</u>	<u>16,039,654</u>	<u>11,093,945</u>
TOTAL	<u>\$53,240,365</u>	<u>\$50,596,654</u>	<u>\$60,201,674</u>	<u>\$69,460,529</u>	<u>\$57,291,174</u>
<b>Oxford Homes</b>					
Medicaid	\$10,427,649	\$11,771,974	\$10,122,279	\$10,934,179	\$7,779,328
Self-Pay	6,432,435	7,459,897	7,505,992	7,920,251	8,448,715
VA Reimbursement	8,292,187	7,687,504	9,665,385	9,690,770	9,597,844
Medicare	897,469	584,557	493,602	439,494	416,473
Miscellaneous	<u>141,977</u>	<u>149,115</u>	<u>147,043</u>	<u>139,272</u>	<u>143,644</u>
TOTAL	<u>\$26,191,717</u>	<u>\$27,653,047</u>	<u>\$27,934,301</u>	<u>\$29,123,984</u>	<u>\$26,386,004</u>
<b>WNY Veterans Home</b>					
Medicaid	\$5,309,498	\$5,348,976	\$4,586,435	\$4,808,234	\$3,752,322
Self-Pay	3,791,962	3,642,935	4,059,761	4,588,273	4,080,572
VA Reimbursement	3,850,953	4,338,950	4,410,337	4,226,686	4,140,274
Medicare	<u>206,977</u>	<u>375,767</u>	<u>260,208</u>	<u>314,693</u>	<u>446,795</u>
TOTAL	<u>\$13,159,390</u>	<u>\$13,706,628</u>	<u>\$13,316,741</u>	<u>\$13,937,886</u>	<u>\$12,419,963</u>
<b>HV Veterans Home</b>					
Medicaid	\$12,513,169	\$12,083,323	\$9,600,272	\$10,760,025	\$8,396,368
Self-Pay	8,634,296	9,096,321	8,673,368	7,999,810	10,267,477
VA Reimbursement	9,521,016	11,181,052	10,767,377	11,971,738	9,952,889
Medicare	<u>2,224,912</u>	<u>1,568,623</u>	<u>1,682,108</u>	<u>1,865,799</u>	<u>1,993,402</u>
TOTAL	<u>\$32,893,393</u>	<u>\$33,292,319</u>	<u>\$30,723,125</u>	<u>\$32,597,372</u>	<u>\$30,610,135</u>

<sup>(1)</sup> Reflects preliminary information.

# The Department of Health and The Medical Care Facilities

The following table reflects the Medical Care Facilities' income statements prepared by independent auditors for the most recent four fiscal years for which such statements are available. The data presented reflect the net patient care income, which is derived by deducting a reserve for bad debts and contractual allowances from the gross charges for patient services. The contractual allowances are the differences between the Medical Care Facilities' charges and the actual amount reimbursed by third party payors. The net revenue varies from the cash receipts schedule provided above since the latter reflects actual cash collected and the differences between the two schedules are represented by accounts receivable. The expenses are reflected on an accrual basis in accordance with GAAP and as required by third party payors. Included in the expenses are all State appropriations, such as fringe benefits for the Medical Care Facilities' employees as well as non-cash expenses such as depreciation.

**SUMMARY OF NET PATIENT CARE REVENUES OTHER NON-OPERATING REVENUES AND OPERATING EXPENSES AS REFLECTED ON THE FACILITIES' INCOME STATEMENTS**

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>Revenues</b>				
Roswell Park	\$489,694,134	\$509,949,622	\$556,676,370	\$590,224,633
Helen Hayes Hospital	76,097,071	79,258,826	87,190,108	89,314,913
Oxford Home	33,121,769	35,773,769	36,684,950	38,185,478
WNY Veterans Home	16,916,501	18,206,777	17,816,922	20,071,459
HV Veterans Home	<u>39,779,326</u>	<u>41,887,341</u>	<u>35,579,189</u>	<u>45,258,071</u>
<b>Total Revenues</b>	<u>\$655,608,801</u>	<u>\$685,076,335</u>	<u>\$733,947,539</u>	<u>\$783,054,554</u>
<b>Expenses</b>				
Roswell Park	\$497,050,605	\$510,717,970	\$543,469,727	\$569,179,164
Helen Hayes Hospital	78,632,863	85,856,318	85,154,354	90,851,641
Oxford Home	34,420,163	35,629,891	35,905,321	35,855,714
WNY Veterans Home	18,113,164	18,213,015	18,515,583	17,860,079
HV Veterans Home	<u>35,773,965</u>	<u>37,125,463</u>	<u>35,280,948</u>	<u>38,528,941</u>
<b>Total Expenses</b>	<u>\$663,990,760</u>	<u>\$687,542,657</u>	<u>\$718,325,933</u>	<u>\$752,005,539</u>
<b>Results from Operation</b>	<u>(\$8,381,959)</u>	<u>(\$2,466,322)</u>	<u>\$15,621,606</u>	<u>\$31,049,015</u>



## **Section 2: Subsection M**

### **Dormitory Authority of the State of New York, Revenue Bonds (Department of Health Veterans Home Issue)**

#### **“The Department of Health” and “The Veterans Home”**

This Subsection M contains the information required to be updated annually pursuant to applicable Continuing Disclosure Agreements relating to obligations issued by the Dormitory Authority of the State of New York for the Department of Health Veterans Home Revenue Bonds.

Capitalized terms used in this Subsection M and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.



## General

The Department is a civil department of the State created pursuant to Article 2 of the Public Health Law.

The mission of the Department is to ensure the availability of appropriate high quality health services at reasonable cost to all State residents. The Department's responsibilities include:

1. Promoting and supervising public health activities throughout the State;
2. Ensuring sound, cost-effective medical care for all residents; and
3. Reducing the heavy toll taken by chronic disabling illnesses, including heart disease, cancer, stroke and respiratory diseases.

These objectives are achieved through a coordinated network of administrative units, including the Department's major operating arms: the Office of Public Health ("OPH"), the Office of Primary Care and Health Systems Management ("OPCHSM") and the Office of Health Insurance Programs ("OHIP") and through a system of area and field offices that conduct health facility surveillance, public health monitoring and direct public health activities. The Department is the agency designated for administering Federal moneys allotted for health work under the Public Health Service Act, the Social Security Act and other Federal authorizations. Single State agency responsibilities under Title 19 of the Social Security Act for the Medical Assistance Program were transferred from the former Department of Social Services to the Department in legislation enacted in 1996 and 1997. Finally, the Department operates facilities engaged in advanced medical research and patient care through its Health Facilities Management Group.

The Department currently carries out its responsibilities through 15 budgetary programs: Administrative and Executive Direction; Center for Environmental Health; Center for Community Health; AIDS Institute; Wadsworth Center for Laboratories and Research; Office of Primary Care and Health Systems Management; Office of Health Insurance Programs; Medical Assistance Program; Medical Assistance Administration Program; Child Health Insurance Program; Elderly Pharmaceutical Insurance Coverage ("EPIC") Program; Essential Plan; Medical Marijuana; HCRA; and the Health Facilities Management Program.

The State's Public Health Law enumerates six facilities as part of the Department: the Roswell Park Cancer Institute (the "Institute"), the Helen Hayes Hospital (the "Hospital"), the New York State Home for Veterans and Their Dependents at Oxford (the "Home"), the New York State Home for Veterans in the City of New York (the "Veterans Home"), the New York State Home for Veterans in Western New York (the "WNY Veterans Home") and the New York State Home for Veterans in the Lower Hudson Valley (the "HV Veterans Home"). The State Legislature has the power to decide whether or not the Department will continue to operate and maintain any of these facilities. In 1999, the State transferred the Institute to a separate public benefit corporation, The Roswell Park Cancer Institute Corporation ("RPCI"). The State Legislature also may decide in the future to add by legislation additional facilities to the Department.

## Fiscal Structure

The Department receives annual appropriations from the Legislature to operate all authorized programs and to provide specific services. The State Legislature appropriates moneys from the State's General Fund to the Department to meet the operational costs of the Department for program operations not otherwise supported by Federal or other funds. Within the total amount appropriated, funds may be interchanged or transferred between programs upon recommendation of the Commissioner of Health (the "Commissioner") and the approval of the State Budget Director, according to the formula established in the State Finance Law. These moneys are not available for deposit to the Veterans Home Income Fund. Funding for any repairs and maintenance of the Veterans Home is drawn from a general appropriation by the State Legislature from the State's Capital Projects Fund to benefit the Veterans Home and certain other medical facilities of the Department established under Section 403 of the Public Health Law. For FY 2018 this appropriation is \$7,600,000.

In addition to the appropriation of State funds, the Legislature also appropriates moneys made available by the Federal government for Department programs. None of the funds allocated by Federal agencies to the Department have been appropriated for the Veterans Home.

The FY 2018 Enacted Budget includes funds appropriated to the Department from 119 Special Revenue Accounts including, pursuant to Chapter 433 of the Laws of 1997, accounts supporting the operating budget for the Veterans Home. Revenue is deposited in the self-supporting account from fees, assessments, and other charges as specified in law or regulation. Expenditures from such account are limited to the specific purpose of such individual account.

Patient care revenues received by the Department relating to the Veterans Home are deposited into the Veterans Home Income Fund. Amounts in excess of that required to be held by the Comptroller in the Veterans Home Income Fund are directly transferred periodically to the New York City Veterans Home Account, which was also authorized by Chapter 433 of the Laws of 1997. Funds in the New York City Veterans Home Account are appropriated for operation of the Veterans Home.



## The Veterans Home Income Fund

The Veterans Home Income Fund is established in the custody of the Comptroller pursuant to Section 409-a of the Public Health Law. The moneys deposited in the Veterans Home Income Fund are kept separate and are not commingled with any other moneys held by the Comptroller. All of the revenues received by the Department for the care, maintenance and treatment of patients at the Veterans Home together with certain other moneys and miscellaneous receipts, less certain payments and refunds are made pursuant to law, are to be paid by the Commissioner to the Comptroller for deposit in the Veterans Home Income Fund. The amounts on deposit in the Veterans Home Income Fund are pledged to pay the debt service on the Bonds issued under the Resolution.

Section 409-a of the Public Health Law requires that the Comptroller maintain at all times in the Veterans Home Income Fund an amount required to be paid by the Department during the next succeeding six calendar months for debt service on the Bonds. The Comptroller is required from time to time, but in no event later than the last day of March, June, September and December of each year to deposit to the Veterans Home Account all moneys in the Veterans Home Income Fund in excess of the amount required to be maintained in the New York City Veterans Home Income Fund as described above. The moneys in the Veterans Home Income Fund are paid out on the audit and warrant of the Comptroller on vouchers certified or approved by the Commissioner or his designee.

Revenues on an audited cash, rather than an accrual, basis generated during the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018, for the Veterans Home, Veterans Home Income Fund, are listed in the following table. The table also reflects the manner in which the revenues were used or are expected to be used (i.e., actual payments for debt service and transfers to the operating accounts for each year) as well as the ratio of Receipts in Veterans Home Income Fund to Veterans Home Income Fund Debt Service Payments ("Debt Service Coverage").

**HEALTH INCOME FUND**  
(thousands of dollars, except ratios)

State Fiscal Year Ended March 31	Receipts in Health Income Fund	Health Income Fund Debt Service Payments <sup>(1)</sup>	Available for Transfer to Facility-Specific Operating Accounts of RPCI Corporation <sup>(1)</sup>	Debt Service Coverage
2013	\$506,348	\$28,165	\$478,183	18x
2014	524,701	27,882	496,819	19x
2015	572,538	28,330	544,208	20x
2016	605,836	28,628	577,208	21x
2017 (Prelim.)	653,381	26,755	626,626	24x
2018 (Est.)	628,397	27,223	601,174	23x

Source: Department of Health.

<sup>(1)</sup> Available fund balance may be increased or decreased, depending on the need to set aside future debt service payments, which would result in the transfer amount being adjusted accordingly.

## Sources of Operating Funds

The following table reflects the Department's State Operations appropriations for the Veterans Home Facilities. As such, this represents the maximum authority to spend, or budgeted levels, as approved by the State Legislature and does not necessarily reflect actual spending levels.

State Fiscal Year Ended March 31	Appropriated for NYC Veterans Home Accounts <sup>(1)(2)</sup>
2013	\$35,184,000
2014	35,184,000
2015	35,077,000
2016	31,377,000
2017	31,377,000
2018 <sup>(3)</sup>	33,055,000

<sup>(1)</sup> Exclusive of minor amounts of money available for patient benefits from gifts and bequests.

<sup>(2)</sup> These funds are transferred to individual Special Revenue Fund-Other accounts supporting the respective operating budgets of the Veterans Home. The amounts shown here are from revenues derived from the Veterans Home and vary in some degree from the revenues of the Veterans Home as reflected in its financial statements for the years indicated, due to differences in accounting procedures and other factors.

<sup>(3)</sup> Reflects the FY 2018 Enacted Budget.

## Employee Relations and Indemnity

As of March 31, 2017, the Department employed approximately 4,872 full-time equivalent employees, including approximately 296 full-time equivalent employees at the Veterans Home. Section 17 of the Public Officers Law requires the State to save harmless and indemnify its employees from financial loss arising out of any claim, demand, suit or judgment by reason of alleged intentional wrong doing, negligence or other act by State employees provided that the employee was acting in the scope of his duties and did not commit a willful or wrongful act. The law further provides that the Attorney General may represent such employee.

Any actions involving malpractice claims brought against the Department are actions brought against the State itself. The State does not carry insurance with respect to malpractice claims and is a self-insurer for the payment of any judgments which may be rendered against the State for any such actions.

## The Veterans Home

### Summary

The Veterans Home commenced operations in December of 1993 and is a 250-bed skilled nursing facility serving veterans and their dependents located in Queens, New York.

The Program offered at the Veterans Home serves two categories of residents – those requiring skilled long-term care and those with special health care needs. The primary recipients of the skilled long-term care services are typically 65 years of age and over, with the largest portion of residents being the frail elderly (those over age 85), and residents requiring special care including those suffering from dementia and mental confusion resulting from Alzheimer's disease and other related disorders. Also included in this category are residents with chronic pulmonary diseases, which create irreversible airway restriction or obstruction.

The bed complement for the Veterans Home is as follows:

Skilled Long-Term Care	200 beds
Alzheimer's/Dementia	35 beds
Sub-Acute Level of Care	15 beds
Total	250 beds

The Veterans Home average annual occupancy rate, for the four most recent fiscal years, preliminary for FY 2017 and estimated for FY 2018 is as follows:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate
2013	94%
2014	92
2015	92
2016	89
2017 (Prelim.)	97
2018 (Est.)	97

## Reimbursement Process

Medicaid reimbursement for the Home is based on a Statewide Regional Pricing Model which was implemented in 2012. This methodology is partially based on a case-mix assessment. The Statewide Pricing Model also incorporates the cost of care incurred and provides some financial incentives to admit “high intensity” patients by linking payments to the level of services provided. The Medicaid Statewide Pricing Model also incorporates other factors such as: size of the facilities; geographic location; 2007 operational cost; and quality measures in the determination of the final pay rate.

Beginning in January 2015, the Veterans Homes transitioned to Medicaid Managed Long Term Care contracts with provider organizations. These organizations will pay the published Medicaid Rate including capital for a three year grace period. After the grace period is concluded the homes will receive a negotiated rate.

For Medicare, the reimbursement methodology for the Home is the same and is based on the Prospective Payment System, which uses the average cost for the respective regions. For the veterans’ homes in the program, this has proven beneficial as the average regional cost exceeds the facility-specific cost, resulting in a higher rate of reimbursement for veterans’ homes, which have also converted from a “flat rate” average charge to “fee for service.” In addition to a room and board charge, the veterans’ homes bill for the actual charges for pharmacy, therapies and other such ancillary services.

## Cash Receipts

Collections are deposited daily to a bank and transferred routinely by the State Comptroller into the Veterans Home Income Fund. Receipts for the most recent four fiscal years are as follows.

### CASH RECEIPTS FROM PATIENTS AND MISCELLANEOUS INCOME

	FY 2014	FY 2015	FY 2016	FY 2017 <sup>(1)</sup>
Medicaid	\$11,761,804	\$11,389,504	\$12,064,779	\$8,839,739
Medicare	2,461,922	1,830,456	1,644,656	1,298,230
VA Reimbursement	12,127,782	10,931,890	13,588,094	15,536,176
Self-Pay	4,744,847	1,271,150	1,271,430	4,906,310
TOTAL	<u>\$31,096,355</u>	<u>\$25,423,000</u>	<u>\$28,581,812</u>	<u>\$30,580,455</u>

<sup>(1)</sup> Reflects preliminary information.

## Summary of Revenue and Expenses

The following reflects the Veterans Home income statement for the most recent available four fiscal years.

### SUMMARY OF NET PATIENT CARE REVENUES, OTHER NON-OPERATING REVENUES AND OPERATING EXPENSES AS REFLECTED ON THE VETERANS HOME INCOME STATEMENTS<sup>(1)</sup>

	FY 2013	FY 2014	FY 2015	FY 2016
Net Patient Care Revenues and Other Revenue	\$32,730,849	\$34,572,063	\$40,063,928	\$43,388,596
Expenses	35,943,225	36,385,182	40,190,034	\$38,654,369
Results from Operation <sup>(2)(3)</sup>	<u>(\$3,212,376)</u>	<u>(\$1,813,119)</u>	<u>(\$126,106)</u>	<u>\$4,734,227</u>

<sup>(1)</sup> The net revenue varies from the cash receipts schedule provided above since the latter reflected actual cash collected and the differences between the two schedules are represented by accounts receivable.

<sup>(2)</sup> Deficit operating results cause a decrease in the Veterans Home's fund balance.

<sup>(3)</sup> Lower rate of growth in spending as compared to revenue results in an increase in the Veterans Home's fund balance.



## **Section 2: Subsection N**

### **New York State Personal Income Tax Revenue Bonds**

This Subsection N contains the information required to be updated annually pursuant to the Master Continuing Disclosure Agreement, as amended, relating to obligations issued by the Authorized Issuers for State Personal Income Tax Revenue Bonds.

Capitalized terms used in this Subsection N and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.





## The Revenue Bond Tax Fund

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

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

The State PIT Revenue Bonds are special obligations of the respective Authorized Issuers, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to the applicable Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of the respective Authorized Issuers in accordance with the terms and provisions of a Financing Agreement by and between the respective Authorized Issuers and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in such Resolution). The Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act permits the Authorized Issuers to issue additional State PIT Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State PIT Revenue Bonds. In accordance with the additional bonds test described herein, as of March 31, 2017, Revenue Bond Tax Fund Receipts of approximately \$11.9 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 3.7 times the maximum annual Debt Service for all Outstanding State PIT Revenue Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met.

The revenues, facilities, properties and any and all other assets of the Authorized Issuers of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State PIT Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolution, and under no circumstances shall these be available for such purposes.

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

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

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State PIT Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to DOB.
2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:
  - (a) 25 percent of the amount of the estimated monthly New York State PIT Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
  - (b) The monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.
3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State PIT Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.

## Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

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

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

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

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

## Set Aside of Revenue Bond Tax Fund Receipts

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

- a) Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State PIT Receipts.
- b) Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State PIT Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

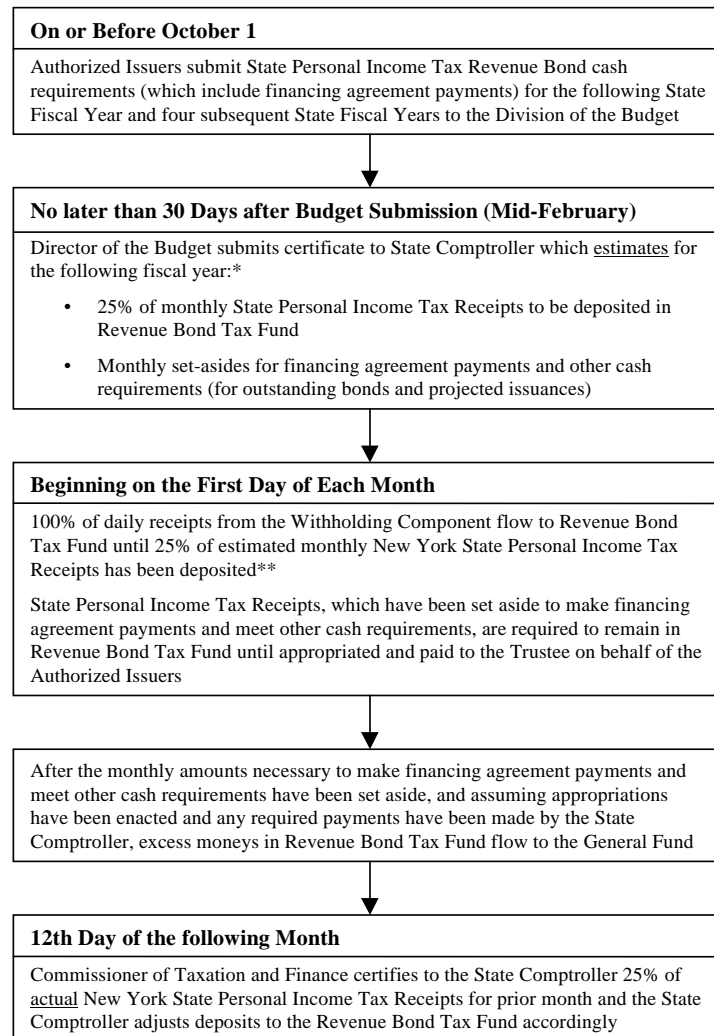
The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders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

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

# Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

## Flow of Revenue Bond Tax Fund Receipts

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



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

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

## Moneys Held in the Revenue Bond Tax Fund

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

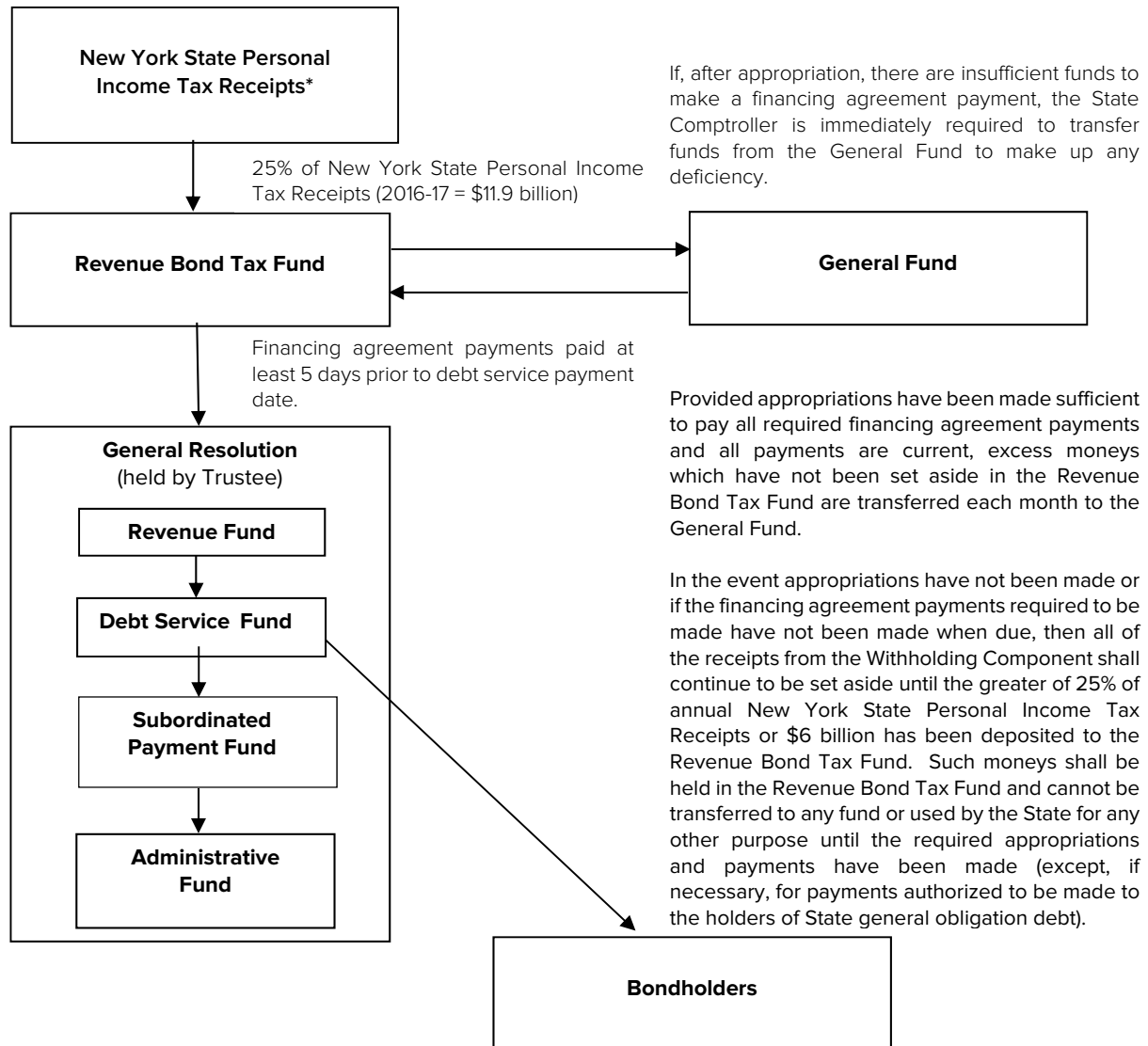
If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by the Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Authorized Issuers are current, then the State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

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State PIT Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State PIT Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State PIT Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer.

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

# Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

## Flow of Revenues



\* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State PIT.

## Appropriation by the State Legislature

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

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

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



## Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

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

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

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

### **Additional Bonds**

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

## Parity Reimbursement Obligations

An Authorized Issuer may incur Parity Reimbursement Obligations pursuant to the terms of the general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State PIT Revenue Bond and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State PIT Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State PIT Revenue Bonds, without acceleration.

## Certain Covenants of the State

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

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

## Reservation of State's Right to Substitute Credit

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

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

## General History of the State Personal Income Tax

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

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

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

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

## Personal Income Tax Rates

Taxable income equals New York adjusted gross income (“AGI”) less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with \$100,000 or more of AGI, the benefit of the marginal tax rates in the lower brackets was recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major PIT cut program was phased in over three years which cut the top State PIT rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the FY 2004 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, which added two additional rates and brackets. The following tables set forth the rate schedules for tax years 2017 through 2019 and for tax years after 2019, which are the same as the tax year 2017 schedule except that (i) the 8.82 percent top rate bracket expires and (ii) middle class tax rates are phased-in between tax years 2018 and 2025.

# Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

## NEW YORK STATE PERSONAL INCOME TAX RATES FOR TAX YEARS 2017 THROUGH 2019\*

### Married Filing Jointly and Qualified Widow(er)

### Tax<sup>±</sup>

Taxable Income:

Not over \$17,150	4% of taxable income
Over \$17,150 but not over \$23,600	\$686 plus 4.50% of excess over \$17,150
Over \$23,600 but not over \$27,900	\$976 plus 5.25% of excess over \$23,600
Over \$27,900 but not over \$43,000	\$1,202 plus 5.90% of excess over \$27,900
Over \$43,000 but not over \$161,550	\$2,093 plus 6.45% of excess over \$43,000
Over \$161,550 but not over \$323,200	\$9,739 plus 6.65% of excess over \$161,550
Over \$323,200 but not over \$2,155,350	\$20,489 plus 6.85% of excess over \$323,200
Over \$2,155,350	\$145,991 plus 8.82% of excess over \$2,155,350

### Single, Married Filing Separately, Estates and Trusts

Taxable Income:

Not over \$8,500	4% of taxable income
Over \$8,500 but not over \$11,700	\$340 plus 4.50% of excess over \$8,500
Over \$11,700 but not over \$13,900	\$484 plus 5.25% of excess over \$11,700
Over \$13,900 but not over \$21,400	\$600 plus 5.90% of excess over \$13,900
Over \$21,400 but not over \$80,650	\$1,042 plus 6.45% of excess over \$21,400
Over \$80,650 but not over \$215,400	\$4,864 plus 6.65% of excess over \$80,650
Over \$215,400 but not over \$1,077,550	\$13,825 plus 6.85% of excess over \$215,400
Over \$1,077,550	\$72,882 plus 8.82% of excess over \$1,077,550

### Head of Household

Taxable Income:

Not over \$12,800	4% of taxable income
Over \$12,800 but not over \$17,650	\$512 plus 4.50% of excess over \$12,800
Over \$17,650 but not over \$20,900	\$730 plus 5.25% of excess over \$17,650
Over \$20,900 but not over \$32,200	\$901 plus 5.90% of excess over \$20,900
Over \$32,200 but not over \$107,650	\$1,568 plus 6.45% of excess over \$32,200
Over \$107,650 but not over \$269,300	\$6,434 plus 6.65% of excess over \$107,650
Over \$269,300 but not over \$1,616,450	\$17,184 plus 6.85% of excess over \$269,300
Over \$1,616,450	\$109,464 plus 8.82% of excess over \$1,616,450

<sup>±</sup>A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds \$2,205,350 for married filing jointly taxpayers in tax years 2017 through 2019, all taxable income becomes effectively subject to a flat 8.82 percent tax rate. Furthermore, the marginal tax rates between 6.45 percent and 6.65 percent are gradually phased-in to rates between 6.21 percent and 6.49 percent between tax years 2017 and 2019

# Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

FY 2017  
Continuing Disclosure

## NEW YORK STATE PERSONAL INCOME TAX RATES FOR TAX YEARS AFTER 2017 AND BEFORE 2025\*

### Married Filing Jointly

Taxable Income:

	Tax <sup>±</sup>
Not over \$17,150	4% of taxable income
Over \$17,150 but not over \$23,600	\$686 plus 4.50% of excess over \$17,150
Over \$23,600 but not over \$27,900	\$976 plus 5.25% of excess over \$23,600
Over \$27,900 but not over \$43,000	\$1,202 plus 5.90% of excess over \$27,900
Over \$43,000 but not over \$161,550	\$2,093 plus 6.33% of excess over \$43,000
Over \$161,550 but not over \$323,200	\$9,313 plus 6.57% of excess over \$161,550
Over \$323,200	\$19,674 plus 6.85% of excess over \$323,200

### Single, Married Filing Separately, Estates and Trusts

Taxable Income:

	Tax <sup>±</sup>
Not over \$8,500	4% of taxable income
Over \$8,500 but not over \$11,700	\$340 plus 4.50% of excess over \$8,500
Over \$11,700 but not over \$13,900	\$484 plus 5.25% of excess over \$11,700
Over \$13,900 but not over \$21,400	\$600 plus 5.90% of excess over \$13,900
Over \$21,400 but not over \$80,650	\$1,042 plus 6.33% of excess over \$21,400
Over \$80,650 but not over \$215,400	\$4,650 plus 6.57% of excess over \$80,650
Over \$215,400	\$13,288 plus 6.85% of excess of \$215,400

### Head of Household

Taxable Income:

	Tax <sup>±</sup>
Not over \$12,800	4% of taxable income
Over \$12,800 but not over \$17,650	\$512 plus 4.50% of excess over \$12,800
Over \$17,650 but not over \$20,900	\$730 plus 5.25% of excess over \$17,650
Over \$20,900 but not over \$32,200	\$901 plus 5.90% of excess over \$20,900
Over \$32,200 but not over \$107,650	\$1,568 plus 6.09% of excess over \$32,200
Over \$107,650 but not over \$269,300	\$6,162 plus 6.41% of excess over \$107,650
Over \$269,300	\$16,524 plus 6.85% of excess over \$269,300

<sup>±</sup> A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds \$373,200 for married filing jointly taxpayers for tax years after 2019, all taxable income becomes effectively subject to a flat 6.85 percent tax rate. Furthermore, the marginal tax rates between 5.9 percent and 6.41 percent are gradually phased-in to rates between 5.5 percent and 6 percent between tax years 2020 and 2025.

# Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

## NEW YORK STATE PERSONAL INCOME TAX RATES FOR TAX YEARS 2025 AND AFTER\*

### Married Filing Jointly

Taxable Income:

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

Tax<sup>±</sup>

### Single, Married Filing Separately, Estates and Trusts

Taxable Income:

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

### Head of Household

Taxable Income:

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

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds \$373,200 for married filing jointly taxpayers for tax years after 2019, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

## Components of the Personal Income Tax

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

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

## Revenue Bond Tax Fund Receipts

The Enabling Act provides that 25 percent of the receipts from the New York State PIT imposed by Article 22 of the New York State Tax Law which are deposited pursuant to Section 171-a of the Tax Law (“New York State PIT Receipts”) shall be deposited in the Revenue Bond Tax Fund. Such New York State PIT Receipts currently exclude refunds paid to taxpayers. Legislation enacted in 2007 and effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State PIT Receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for PIT reductions enacted as part of the STAR program. The Debt Reduction Reserve Fund was established in FY 1999 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In FYs 2001 and 2002, \$250 million was deposited from New York State PIT Receipts to the Debt Reduction Reserve Fund. New York State PIT Receipts for FYs 2001 and 2002 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State PIT Receipts to the Debt Reduction Reserve Fund thereafter.

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



## Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from FYs 2008 through 2018.

The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less refunds.

### NYS PIT RECEIPTS, WITHHOLDING COMPONENTS AND STATE REVENUE BONDS TAX FUND RECEIPTS FY 2008 THROUGH FY 2018

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts
2008	\$36,563,948,528	\$28,440,134,437	77.8%	\$ 9,140,987,132
2009	36,840,019,400	27,686,157,203	75.2	9,210,004,850
2010	34,751,381,665	29,443,180,489	84.7	8,687,845,416
2011	36,209,215,560	31,240,169,745	86.3	9,052,303,890
2012	38,767,826,942	31,198,971,588	80.5	9,691,956,736
2013	40,226,714,989	31,957,653,106	79.4	10,056,678,747
2014	42,960,774,915	33,367,555,788	77.7	10,740,193,729
2015	43,709,833,323	34,906,793,775	79.9	10,927,458,331
2016	47,055,282,776	36,549,037,064	77.7	11,763,820,694
2017	47,565,878,296	37,523,891,435	78.9	11,891,469,574
2018 (est.)	49,382,000,000	39,459,000,000	79.9	12,345,500,000

In FY 2017, New York State Personal Income Tax Receipts totaled approximately \$47.6 billion and accounted for approximately 64 percent of State tax receipts in all State Funds. The FY 2018 Enacted Budget Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 3.8 percent to \$49.4 billion in FY 2018.

Total State PIT receipts (as distinguished from New York State PIT Receipts as defined herein and presented in the table above) estimates are based on the State PIT liability estimated by DOB for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see “General History of the State PIT” above) that will affect each year’s tax liability. The level of total State PIT receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State PIT receipts will be indicative of future receipts. Since the institution of the modern income tax in New York in 1960, total PIT receipts have fallen six times on a year-over-year basis, in FY 1965, FY 1972, FY 1978, FY 1991, FY 2003, and FY 2010.

The following table shows the pattern of State adjusted gross income growth and PIT tax liability for 2008 through 2017.

# Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

FY 2017  
Continuing Disclosure

## NYS ADJUSTED GROSS INCOME (AGI) AND PERSONAL INCOME TAX LIABILITY 2008 TO 2017\*

Tax Year	NYS AGI		Personal Income Tax Liability	
	(\$ in millions)	Percent Change	(\$ in millions)	Percent Change
2008	\$662,053	(8.7)%	\$31,621	(10.2)%
2009	596,471	(9.9)	31,162	(1.5)
2010	638,855	7.1	34,834	11.8
2011	657,298	2.9	36,296	4.2
2012	714,698	8.7	38,017	4.7
2013	714,046	(0.1)	37,331	(1.8)
2014	776,477	8.7	41,910	12.3
2015 (est.)	806,136	3.8	43,519	3.8
2016 (est.)	803,321	(0.3)	42,975	(1.3)
2017 (proj.)	854,677	6.4	47,982	11.7

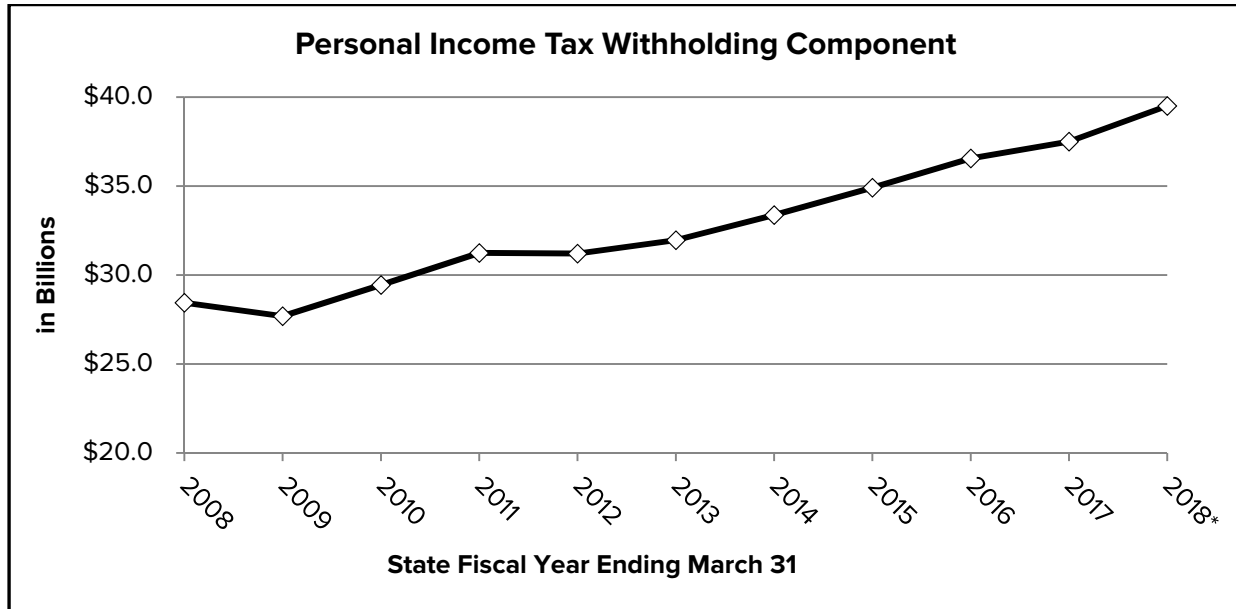
\* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Beginning in 2003, tax liability and adjusted gross income grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in 2008 and 2009. The 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers. Thus, liability grew at about the same rate in 2012 as 2011, despite substantially higher growth in adjusted gross income. These rates were subsequently extended through 2017 by FY 2014 budget legislation.

The FY 2018 Enacted Budget Financial Plan estimates that tax year 2015 personal income tax liability totaled \$43.5 billion, increasing 3.8 percent over the prior year. Personal income tax liability is projected to decrease by 1.3 percent to \$43.0 billion in tax year 2016 before rebounding to \$48.0 billion, an 11.7 percent increase, in the 2017 tax year.

## Sources of New York State Personal Income Tax Receipts for the Revenue Bond Tax Fund

The following graph shows the history of withholding receipts since FY 2008. Like overall adjusted gross incomes and tax liabilities, withholding steadily increased each year through FY 2011 except the recession-related FY 2009, due to overall growth in employment and wages, as well as the temporary tax surcharge, which applied during FYs 2010, 2011, and part of 2012. Withholding receipts for FY 2018 are estimated to be \$1.9 billion (5.2 percent) higher compared to FY 2017.



\*Estimated.

## Debt Service Coverage

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

### DEBT SERVICE COVERAGE ON OUTSTANDING PERSONAL INCOME TAX REVENUE BONDS\* (thousands of dollars)

Personal Income Tax Revenue Bond Tax Fund Receipts .....	\$11,891,500
Maximum Annual Debt Service .....	\$3,227,169
Debt Service Coverage .....	3.7x

\* As of March 31, 2017

Based upon the assumptions used in preparing the following table, including assumed average State Personal Income Tax Revenue Bond issuances of approximately \$5.1 billion annually over the next four years, State Personal Income Tax Revenue Bond debt service coverage based only upon the Revenue Bond Fund's receipt of the New York State Personal Income Tax Receipts is expected to decline from 3.5 times in FY 2017 to 2.8 times in FY 2021.

### PROJECTED DEBT SERVICE COVERAGE ON STATE PERSONAL INCOME TAX REVENUE BONDS FY 2018 THROUGH FY 2021 (thousands of dollars)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Projected Revenue Bond Tax Fund Receipts	\$12,345,732	\$12,968,345	\$13,479,638	\$13,866,650
Projected New State Personal Income Tax Revenue Bonds Issuances	3,962,316	6,184,519	5,448,640	4,705,444
Projected Total State Personal Income Tax Revenue Bonds Outstanding	34,123,461	38,390,957	41,588,327	43,781,196
Projected Maximum Annual Debt Service	3,575,896	4,117,724	4,616,050	5,036,262
Projected Debt Service Coverage	3.5x	3.1x	2.9x	2.8x

Additional State Personal Income Tax Revenue Bonds may be issued, subject to satisfaction of a 2.0 times debt service coverage test. All State Personal Income Tax Revenue Bonds issued by any Authorized Issuer will be on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature.

## **Section 2: Subsection O**

### **New York State Sales Tax Revenue Bonds**

This Subsection O contains the information required to be updated annually pursuant to the Master Continuing Disclosure Agreement relating to obligations issued by the Authorized Issuers for State Sales Tax Revenue Bonds.

Capitalized terms used in this Subsection O and not otherwise defined shall have the meanings ascribed to them in the related Official Statement.



## The Sales Tax Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Sales Tax Revenue Bonds by establishing the Sales Tax Revenue Bond Tax Fund for the purpose of setting aside New York State Sales Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Sales Tax Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller and the Commissioner and requires that all moneys on deposit in the Sales Tax Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments consist of New York State Sales Tax Receipts (which are net of amounts the Commissioner may determine to be necessary for refunds) required to be deposited in the Sales Tax Revenue Bond Tax Fund in an amount equal to a one percent rate of taxation (equivalent to one cent on every dollar taxed). On and after the date that all LGAC Obligations shall have been met or otherwise discharged, including by legal defeasance or maturity, the deposit to the Sales Tax Revenue Bond Tax Fund shall be increased to an amount equal to a 2 percent rate of taxation (equivalent to two cents on every dollar taxed) from the New York State Sales Tax Receipts. Such New York State Sales Tax Receipts required to be deposited in the Sales Tax Revenue Bond Tax Fund (equal initially to a one percent rate of taxation and increasing to a two percent rate of taxation as of a later date) comprise Sales Tax Revenue Bond Tax Fund Receipts. Pursuant to the State Finance Law, a portion of the New York State Sales Tax Receipts also are required to be deposited in the Local Government Assistance Tax Fund in a separate amount equal to a one percent rate of taxation, from which both the LGAC Obligations and the \$170 million annual obligation to The City of New York are paid. The Enabling Act provides that the Sales Tax Revenue Bond Tax Fund Receipts shall be separate and distinct from the Local Government Assistance Tax Fund Receipts. The LGAC Obligations are expected to be paid or otherwise discharged on or before April 1, 2025.

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

The State Sales Tax Revenue Bonds are special obligations of the Authorized Issuers, secured by and payable solely from financing agreement payments payable by the State Comptroller to the applicable Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of the respective Authorized Issuers in accordance with the terms and provisions of a Financing Agreement, by and between the respective Authorized Issuers and the Director of the Budget subject to annual appropriation by the State Legislature, and the Funds and Accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the General Resolution). The State Sales Tax Revenue Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act and each of the general resolutions permit or are expected to permit the Authorized Issuers to issue additional State Sales Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included (or to be included) in each of the general resolutions authorizing State Sales Tax Revenue Bonds. In accordance with the additional bonds test described herein, as of March 31, 2017 Sales Tax Revenue Bond Tax Fund Receipts of approximately \$3.24 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 5.5 times the maximum annual Debt Service for all Outstanding State Sales Tax Revenue Bonds. While additional State Sales Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes, in no event may any additional State Sales Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied.

The revenues, facilities, properties and any and all other assets of the Authorized Issuers of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Sales Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the General Resolution, and under no circumstances shall these be available for such purposes.



### **Certification of Payments to Be Set Aside in Sales Tax Revenue Bond Tax Fund**

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

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Sales Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Director of the Budget.
2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:
  - a) the amount of the estimated monthly New York State Sales Tax Receipts to be deposited in the Sales Tax Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
  - b) the monthly amounts necessary to be set aside in the Sales Tax Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.
3. Based on the Certificate of the Director of the Budget, the State Comptroller is required to set aside on a monthly basis Sales Tax Revenue Bond Tax Fund Receipts in amounts calculated to be sufficient to pay debt service on all State Sales Tax Revenue Bonds and other cash requirements of the Authorized Issuers when due.

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

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

## Set Aside of Sales Tax Revenue Bond Tax Fund Receipts

As provided by the Enabling Act, the general resolutions, the financing agreements, and the certificate of the Director of the Budget, the State Comptroller is required to set aside, on a monthly basis, Sales Tax Revenue Bond Tax Fund Receipts on deposit in the Sales Tax Revenue Bond Tax Fund, until:

- a) with respect to financing agreement payments to be made to Authorized Issuers on a semi-annual or annual basis, the amount set aside in the fund during the then current month, together with amounts previously set aside in the fund, equals the sum of (i) one-fifth of the interest due on such obligations on the next succeeding interest payment date multiplied by the number of months from the last such interest payment, and (ii) one-eleventh of the next principal installment due on such obligations where principal is due on an annual basis or one-fifth of the next principal installment due on such obligations where principal is due on a semiannual basis, in each case multiplied by the number of months from the last such principal payment; and
- b) with respect to financing agreement payments due on a monthly basis or more frequently, the amount so set aside is, in the reasonable judgment of the Director of the Budget as set forth in his certificate, sufficient to make the required payment on or before such payment date.

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

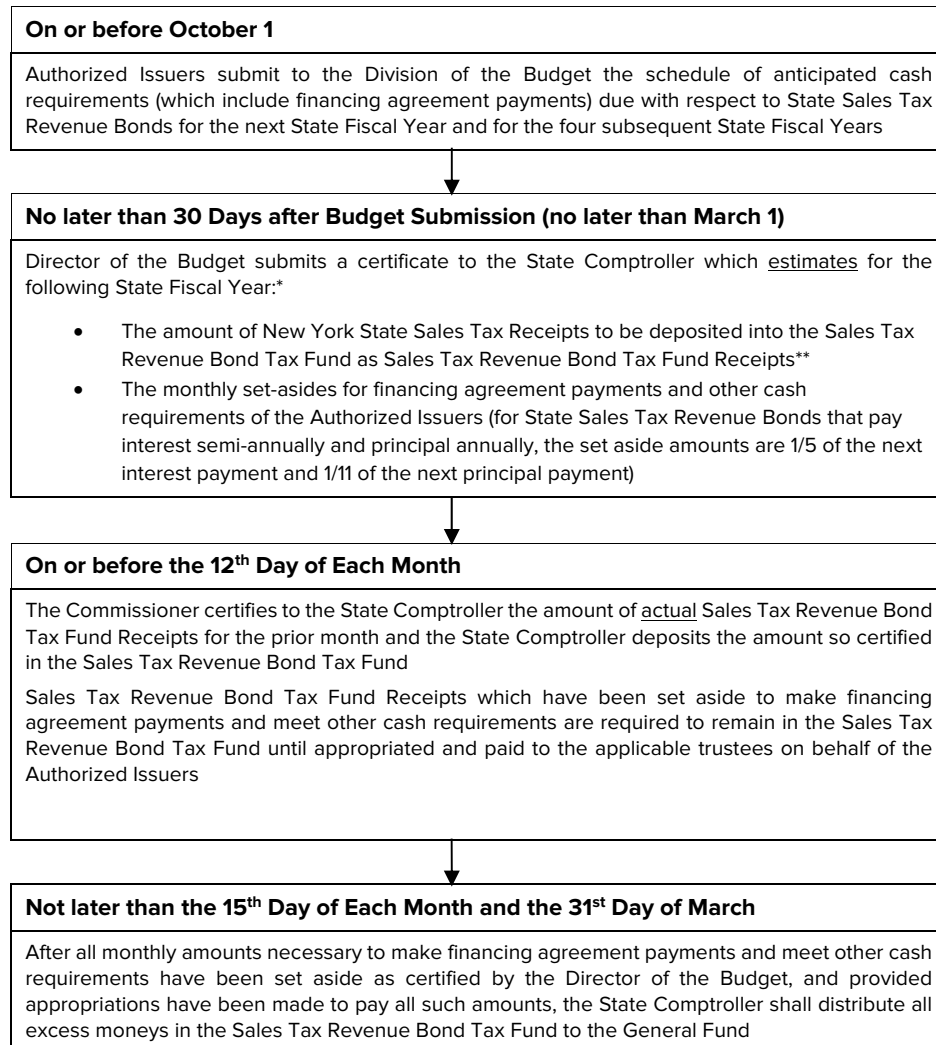
Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Sales Tax Revenue Bond Tax Fund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

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

## Flow of Sales Tax Revenue Bond Tax Fund Receipts

## Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

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



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

\*\* Equal to a one percent rate of taxation until the LGAC Obligations are met or discharged, at which time Sales Tax Revenue Bond Tax Fund Receipts shall increase to a two percent rate of taxation.

## **Moneys Held in the Sales Tax Revenue Bond Tax Fund**

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

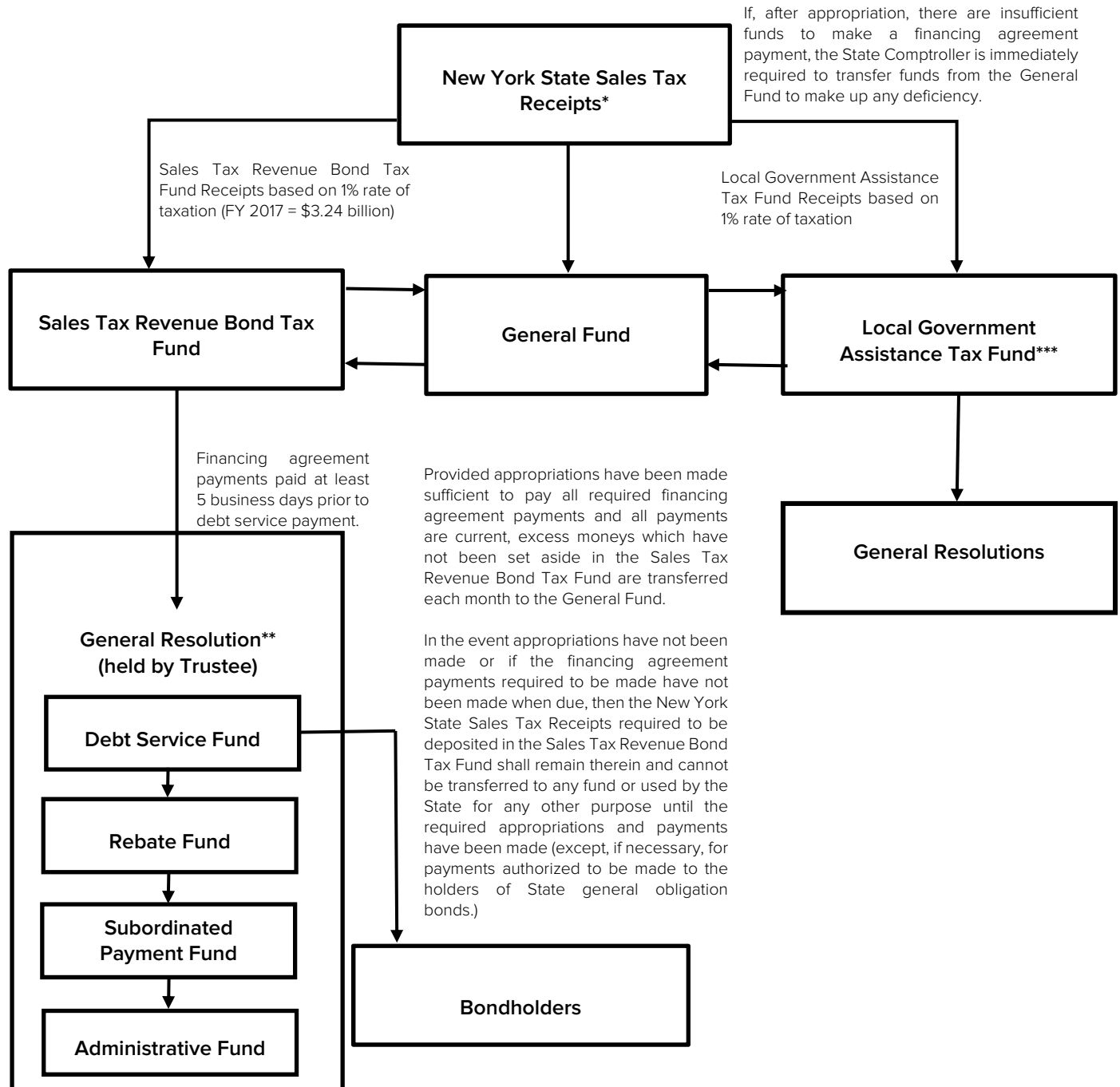
If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by the Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Authorized Issuers are current, then the State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

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Sales Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on State Sales Tax Revenue Bonds, the Enabling Act requires that all of the New York State Sales Tax Receipts required to be deposited in the Sales Tax Revenue Bond Tax Fund remain in such fund. Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Sales Tax Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer.

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

# Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

## Flow of Revenues



\* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Sales Tax.

\*\* The other Authorized Issuers are expected to adopt similar general resolutions.

\*\*\* Including the \$170 million annual obligation (ending June 30, 2034) to The City of New York.

## Appropriation by the State Legislature

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

The Authorized Issuers expect that the State Legislature will make an appropriation from amounts on deposit in the Sales Tax Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Sales Tax Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. The Enabling Act prohibits the transfer of moneys in the Sales Tax Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Sales Tax.

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

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

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

## Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

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

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

### **Additional Bonds**

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

Pursuant to each general resolution, additional State Sales Tax Revenue Bonds may be issued to refund outstanding State Sales Tax Revenue Bonds either by meeting the debt service coverage test described above, or, in the alternative, by demonstrating that maximum annual debt service on all outstanding State Sales Tax Revenue Bonds will not increase as a result of such refunding.

## Parity Reimbursement Obligations

An Authorized Issuer may incur Parity Reimbursement Obligations pursuant to the terms of the general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Sales Tax Revenue Bond and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Sales Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Sales Tax Revenue Bonds, without acceleration.

## Certain Covenants of the State

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

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



## Reservation of State's Right to Substitute Credit

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

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

## General History of the State Sales Tax

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 New York State 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. The New York State Sales Tax is generally collected from the consumer by the final vendor, who is generally required to remit the tax quarterly. However, vendors with more than \$300,000 of taxable sales and purchases in one of the immediately preceding four quarters must remit the tax monthly by the twentieth of the month following the month of collection. Vendors collecting less than 3,000 yearly may elect to file annually, in March. Monthly vendors with an annual sales and use tax liability exceeding \$500,000 or with an annual liability for prepaid sales tax on motor fuel and diesel motor fuel exceeding \$5 million are required to file using the State Tax Department's PromptTax program. PromptTax is an electronic filing and payment program that is mandatory for

certain businesses. The New York State Department of Taxation and Finance notifies vendors if they are required to participate. The payment schedule requires New York State Sales Tax for the first 22 days of a month to be paid within three business days thereafter.

To reduce tax evasion, special provisions for remitting the New York State Sales Tax on motor fuel and cigarettes have been enacted. Since 1985, the New York State Sales Tax on gasoline has been remitted by the first importer of the fuel into New York. Prior to 2006, the New York State Sales Tax was prepaid at a per gallon rate based on regional prices. Currently, the pre-payment is fixed at 17.5 cents in the Metropolitan Commuter Transportation District ("MCTD") region, excluding Long Island, 21 cents in Nassau and Suffolk counties, and 16 cents per gallon for the rest of the State. Effective September 1, 2017, the prepayment will be 16 cents per gallon in the MCTD region and 15 cents per gallon for the rest of the State. The cigarette prepayment rate is 8 percent and is prepaid by cigarette agents at the same time as payment for cigarette excise tax stamps.

Quarterly and annual sales tax filers are allowed to retain a portion of the New York State Sales Tax that they have collected, both as partial compensation for the administrative costs of collecting and remitting the New York State Sales Tax and as an incentive for timely payment of the New York State Sales Tax to the State. The vendor allowance applies to non-monthly filers and is 5 percent of tax liability, up to a maximum of \$200 per quarter for returns filed on time.

## **New York State Sales Tax Receipts**

New York State Sales Tax Receipts constitute the State's second largest source of tax receipts after the personal income tax and accounted for approximately 18.6 percent of State tax receipts in all State Funds in FY 2017. The level of New York State 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 New York State Sales Tax will be indicative of future receipts.

The following table sets forth historical information relating to New York State Sales Tax Receipts from FY 2008 through FY 2017, and estimated amounts for FY 2018. The information reflects State Tax Law changes described below.

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# Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

New York State Sales Tax Receipts <sup>(1)</sup> (billions of dollars)			
State Fiscal Year	New York State Sales Tax Receipts	Sales Tax Revenue Bond Tax Fund Receipts <sup>(2)</sup>	% Change <sup>(3)</sup>
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 <sup>(4)</sup>	13.641	3.410	5.2

Source: Division of the Budget.

<sup>(1)</sup> Reflects sales and compensating use tax receipts, net of refunds. Amounts are unadjusted for rate and base changes.

<sup>(2)</sup> Reflects amounts equivalent to a 1 percent rate of taxation. Amounts shown prior to the enactment of the Sales Tax Revenue Bond Tax Fund (pre-FY 2014) are pro forma.

<sup>(3)</sup> Represents growth rate of net receipts of 1% rate share.

<sup>(4)</sup> As estimated in the FY 2018 Enacted Budget Financial Plan.

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

## Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

FY 2017  
Continuing Disclosure

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 affecting sales tax receipts that went into effect during FY 2014. 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 ("IDAs") retail projects and a benefit clawback provision.

Actual FY 2015 receipts of \$12.137 billion reflect an increase of 4.7 percent in the continuing New York State Sales Tax base 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 exempts 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 13.641 billion, reflecting an increase of 4.1 percent in the continuing New York State Sales Tax base and State 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.

(Note: The New York State Sales Tax Receipts described in this section do not include additional New York State Sales Tax collections in the MCTD region for the Mass Transportation Operating Assistance ("MTOA") Fund.)

# Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

The following table sets forth monthly Sales Tax Revenue Bond Tax Fund Receipts from April 1, 2012 through March 31, 2017 and reflects the State Tax Law changes described above.

## MONTHLY SALES TAX REVENUE BOND TAX FUND RECEIPTS<sup>(1)</sup> APRIL 1, 2012 THROUGH MARCH 31, 2017 (millions of dollars)

MONTH	<u>2012-13</u>	<u>%<sup>(2)</sup></u>	<u>2013-14</u>	<u>%<sup>(2)</sup></u>	<u>2014-15</u>	<u>%<sup>(2)</sup></u>	<u>2015-16</u>	<u>%<sup>(2)</sup></u>	<u>2016-17</u>	<u>%<sup>(2)</sup></u>
APRIL	\$195.3	7%	\$163.3	6%	\$215.8	7%	\$240.0	8%	\$249.1	8%
MAY	207.7	7	271.4 <sup>(3)</sup>	9	228.1	8	232.7	7	237.2	7
JUNE	279.1	10	302.3	10	301.0	10	319.8	10	327.5	10
JULY	211.6	8	226.4	8	234.5	8	248.4	8	254.2	8
AUGUST	211.5	8	225.9	8	233.0	8	241.8	8	242.7	7
SEPTEMBER	287.1	10	297.4	10	309.9	10	320.3	10	326.2	10
OCTOBER	212.4	8	223.5	8	232.8	8	218.3	7	250.0	8
NOVEMBER	207.2	7	223.2	8	236.1	8	241.2	8	249.3	8
DECEMBER	287.4	10	297.4	10	306.2	10	297.2	10	316.5	10
JANUARY	232.4	8	236.1	8	242.4	8	254.2	8	267.5	8
FEBRUARY	200.3	7	201.0	7	200.4	7	206.9	7	218.7	7
MARCH	<u>276.6</u>	<u>10</u>	<u>286.4</u>	<u>10</u>	<u>286.3</u>	<u>10</u>	<u>300.6</u>	<u>10</u>	<u>302.8</u>	<u>9</u>
TOTAL	<u>\$2,808.6</u>	<u>100%</u>	<u>\$2,954.1</u>	<u>100%</u>	<u>\$3,026.6</u>	<u>100%</u>	<u>\$3,121.3</u>	<u>100%</u>	<u>\$3,241.7</u>	<u>100%</u>

Source: Division of the Budget.

<sup>(1)</sup> Amounts reflect the monies directed to the Sales Tax Revenue Bond Tax Fund starting April 1, 2013; amounts shown prior to the enactment of the Sales Tax Revenue Bond Tax Fund are pro forma.

<sup>(2)</sup> Percentages indicate the monthly share of yearly receipts.

<sup>(3)</sup> In May 2014, receipts were adjusted upward by roughly \$54 million to reflect monies that should have been posted in April.

<sup>(4)</sup> Totals may not add due to rounding.

# Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

FY 2017  
Continuing Disclosure

The following table sets forth the stability in the shares of New York State Sales Tax Receipts when examined by industry. For the entirety of the ten-year period, receipts from the retail and services industries together consistently comprised roughly 70 percent of total receipts.

## HISTORY OF INDUSTRY SHARES OF NEW YORK STATE SALES TAX RECEIPTS

<u>Year<sup>(1)</sup></u>	<u>Retail Trade</u>	<u>Services</u>	<u>Wholesale Trade</u>	<u>Information</u>	<u>Other<sup>(2)</sup></u>	<u>Utilities</u>	<u>Manufacturing</u>	<u>Construction</u>	<u>Unclassified</u>
2006	50.0%	21.0%	8.6%	7.1%	4.2%	3.5%	2.4%	2.1%	1.2%
2007	45.8	23.4	8.7	7.5	4.7	3.4	2.7	2.4	1.4
2008	44.1	25.0	8.8	7.6	4.8	3.5	2.8	2.5	1.0
2009	44.2	25.1	9.0	7.7	4.6	3.6	2.7	2.5	0.7
2010	45.1	25.4	8.4	7.8	4.6	3.5	2.5	2.3	0.4
2011	48.2	25.7	5.0	6.4	4.5	3.5	4.3	2.3	0.2
2012	48.4	26.2	5.2	6.0	4.5	3.1	4.2	2.4	0.0
2013	47.2	27.0	5.6	6.0	4.4	3.0	4.2	2.5	0.1
2014	45.8	27.3	5.6	6.8	4.6	3.0	4.1	2.7	0.2
2015 <sup>(3)</sup>	45.5	27.7	5.5	6.8	4.6	3.1	4.0	2.6	0.2

Source: New York State Department of Taxation and Finance.

<sup>(1)</sup> March to February.

<sup>(2)</sup> Includes Agriculture, Mining, Transportation, FIRE (Finance, Insurance and Real Estate), Education, and Government.

<sup>(3)</sup> Preliminary.

# Sources of New York State Sales Tax Receipts for the Sales Tax Revenue Bond Tax Fund

## Debt Service Coverage

The following table sets forth (1) Sales Tax Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum annual debt service on outstanding Sales Tax Revenue Bonds and (3) resulting debt service coverage.

### DEBT SERVICE COVERAGE ON OUTSTANDING SALES TAX REVENUE BONDS\* (thousands of dollars)

Sales Tax Revenue Bond Tax Fund Receipts .....	\$3,239,256
Maximum Annual Debt Service .....	\$589,096
Debt Service Coverage.....	5.5x

\* As of March 31, 2017.

Based upon the assumptions used in preparing the following table, including assumed average State Sales Tax Revenue Bond issuances of approximately \$1.3 billion annually over the next four years, State Sales Tax Revenue Bond debt service coverage based only upon the Sales Tax Revenue Bond Fund's statutory allocation of an amount equal to a one percent rate of taxation is expected to decline from 4.6 times in FY 2018 to 3.6 times in FY 2021.

### PROJECTED STATE SALES TAX REVENUE BOND DEBT SERVICE COVERAGE RATIOS STATE FISCAL YEARS 2018 THROUGH 2021 (thousands of dollars)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Projected Sales Tax Revenue Bond Tax Fund Receipts	\$3,410,250	\$3,550,500	\$3,688,500	\$3,830,500
Projected New State Sales Tax Revenue Bonds Issuances	1,288,078	1,326,720	1,366,521	1,407,517
Projected Total State Sales Tax Revenue Bonds Outstanding	6,041,736	6,958,195	8,040,927	8,723,774
Projected Maximum Annual Debt Service	744,089	829,224	952,867	1,065,221
Projected Debt Service Coverage	4.6x	4.3x	3.9x	3.6x

Additional State Sales Tax Revenue Bonds may be issued, subject to satisfaction of a 2.0 times debt service coverage test. All State Sales Tax Revenue Bonds issued by any Authorized Issuer will be on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature.





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# Appendix A

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## APPENDIX A

### Bonds with a Section 1 Disclosure Obligation

<b>8 /31/1967</b>	Office of the State Comptroller, New York State General Obligation Bonds, Dated August 15, 1967
<b>4 /6 /1972</b>	Office of the State Comptroller, New York State General Obligation Bonds, Dated April 1, 1972
<b>10/12/1973</b>	Office of the State Comptroller, New York State General Obligation Bonds, Dated October 1, 1973
<b>3 /16/1989</b>	New York State Urban Development Corporation Cornell University Federally Taxable Revenue Bonds, Series 1989
<b>3 /16/1989</b>	New York State Urban Development Corporation Columbia University Federally Taxable Revenue Bonds, Series 1989
<b>7 /22/1993</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 1993C Refunding Bonds, Dated July 1, 1993
<b>12/23/1993</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 1993E Refunding Bonds, Dated December 1, 1993
<b>11/21/1995</b>	New York State Urban Development Corporation State Facilities Revenue Bonds, 1995 Refunding
<b>12/14/1995</b>	New York State Urban Development Corporation Project Revenue Bonds (Clarkson University Center for Advanced Materials Processing Loan) 1995 Refunding Series
<b>12/14/1995</b>	New York State Urban Development Corporation, Project Revenue Bonds (University Facilities Grants), 1995 Refunding Series
<b>11/1 /1998</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 1998 Series 1
<b>1 /7 /1999</b>	Dormitory Authority of the State of New York 4201 Schools Program Revenue Bonds, Series 1998
<b>10/28/1999</b>	Dormitory Authority of the State of New York, Special Act School District Program Insured Revenue Bonds, Series 1999A
<b>7 /15/2000</b>	Dormitory Authority of the State of New York, Fashion Institute of Technology Revenue Bonds, Series 2000 (State Share)
<b>10/5 /2000</b>	Dormitory Authority of the State of New York, State University Educational Facilities Revenue Bonds, 2000C

## APPENDIX A

### Bonds with a Section 1 Disclosure Obligation

<b>10/26/2000</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2000C
<b>12/5 /2000</b>	Dormitory Authority of the State of New York, 4201 Schools Program Revenue Bonds, Series 2000
<b>3 /22/2001</b>	Office of the State Comptroller, New York State General Obligation Bonds, Series 2001B and 2001C (tax-exempt, variable rate), Dated March 22, 2001
<b>12/21/2001</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2001 Series 2 (Subseries 2-1 through 2-5)
<b>2 /21/2002</b>	Office of the State Comptroller, General Obligation Bonds, Series 2002A, 2002B, 2002C (tax-exempt, variable rate), Dated February 21, 2002
<b>1 /23/2003</b>	Dormitory Authority of the State of New York, Secured Hospital Revenue Bonds, Series 2003 North General Hospital
<b>2 /20/2003</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2003A Refunding Bonds, Dated February 20, 2003
<b>7 /15/2003</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2003D-2
<b>1 /8 /2004</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2003B
<b>4 /21/2004</b>	New York State Urban Development Corporation, New York Job Development Authority State Guaranteed Special Purpose Bonds, 2004 Series B
<b>12/22/2004</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (State Facilities & Equipment), Series 2004A-2, 2004A-3
<b>2 /24/2005</b>	Dormitory Authority of the State of New York, City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2005A
<b>2 /24/2005</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2005C-1
<b>3 /2 /2005</b>	Dormitory Authority of the State of New York, Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2005A
<b>3 /2 /2005</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds (Education), Series 2005B

## **APPENDIX A**

### **Bonds with a Section 1 Disclosure Obligation**

<b>3 /3 /2005</b>	Dormitory Authority of the State of New York, Upstate Community Colleges, 2005B, 2005C
<b>3 /10/2005</b>	New York State Housing Finance Agency, State Personal Income Tax Revenue Bonds (Economic Development and Housing), 2005 Series A, 2005 Series B and 2005 Series C
<b>9 /8 /2005</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2005B
<b>3 /16/2006</b>	New York State Housing Finance Agency, Personal Income Tax Revenue Bonds (Economic Development and Housing) 2006 Series A, 2006 Series B,(Federally Taxable) and 2006 Series C
<b>3 /29/2006</b>	Office of the State Comptroller, New York State General Obligation Bonds, Series 2006A Tax-Exempt and Series 2006B Taxable Bonds, Dated March 29, 2006
<b>4 /19/2006</b>	Office of the State Comptroller, New York State General Obligation Bonds, Series 2006C Tax-Exempt Refunding and 2006D Taxable Refunding Bonds, Dated April 19, 2006
<b>6 /14/2006</b>	Dormitory Authority of the State of New York, Municipal Health Facilities improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2006A
<b>7 /12/2006</b>	Dormitory Authority of the State of New York, City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2006A
<b>1 /18/2007</b>	New York State Environmental Facilities Corporation, Riverbank State Park Special Obligation Refunding Bonds, Series 2007
<b>1 /18/2007</b>	New York State Environmental Facilities Corporation, State Personal Income Tax Revenue Bonds, Series 2007A
<b>3 /15/2007</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (State Facilities & Equipment), Series 2007B
<b>3 /15/2007</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (Economic Dev. & Housing), Series 2007A
<b>3 /21/2007</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2007A, 2007C, 2007D
<b>3 /22/2007</b>	Office of the State Comptroller, New York State General Obligation Bonds, Series 2007A Tax-Exempt Bonds, Series 2007B Taxable Bonds, Dated March 22, 2007
<b>3 /28/2007</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2007A

## **APPENDIX A**

### **Bonds with a Section 1 Disclosure Obligation**

<b>3 /28/2007</b>	Dormitory Authority of the State of New York, Secured Hospital Revenue Refunding Bonds, Series 2007 (Interfaith Medical Center)
<b>4 /4 /2007</b>	New York State Housing Finance Agency, Personal Income Tax Revenue Bonds (Economic Development and Housing) Series 2007A, B & C
<b>6 /13/2007</b>	New York State Thruway Authority, Local Highway and Bridge Service Contract Bonds, Series 2007
<b>6 /20/2007</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2007B
<b>8 /1 /2007</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2007
<b>8 /22/2007</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2007A Refunding Bonds, Dated August 22, 2007
<b>9 /25/2007</b>	New York State Thruway Authority, State Personal Income Tax Revenue Bonds, Series 2007A (Refunding)
<b>10/5 /2007</b>	New York State Urban Development Corporation, Service Contract Revenue Refunding Bonds, Series 2007A
<b>10/18/2007</b>	Dormitory Authority of the State of New York, State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2007
<b>10/25/2007</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (State Facilities & Equipment), Series 2007C
<b>1 /10/2008</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Education), Series 2007C
<b>1 /17/2008</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (Economic Development & Housing), Series 2008A-1, Series 2008A-2 (Federally Taxable)
<b>2 /26/2008</b>	New York State Thruway Authority, Local Highway and Bridge Service Contract Bonds, Series 2008
<b>2 /28/2008</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008A Refunding Bonds, Dated February 28, 2008

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### Bonds with a Section 1 Disclosure Obligation

<b>3 /12/2008</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Economic Development and Housing), Series 2008A and Series 2008B (Federally Taxable)
<b>3 /20/2008</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2008A
<b>3 /27/2008</b>	New York State Environmental Facilities Corporation, State Personal Income Tax Revenue Bonds, Series 2008A
<b>3 /27/2008</b>	Office of the State Comptroller, New York State General Obligation Bonds, Series 2008A Tax-Exempt Bonds, 2008B Taxable Bonds, Dated March 27, 2008
<b>6 /12/2008</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2008 Series 1
<b>6 /19/2008</b>	New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008AB
<b>6 /19/2008</b>	New York State Housing Finance Agency State Personal Income Tax Revenue Variable Rate Refunding Bonds, Series 2008AB
<b>6 /24/2008</b>	New York State Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2008A1-5
<b>6 /24/2008</b>	New York State Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2008B
<b>6 /26/2008</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008B Variable Rate Refunding Bonds, Dated June 26, 2008
<b>7 /24/2008</b>	Dormitory Authority of the State of New York Mental Health Services Facilities Improvement Bonds, Series 2008A-E
<b>8 /21/2008</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008C Refunding Bonds, Dated August 21, 2008
<b>8 /28/2008</b>	Dormitory Authority of the State of New York, City University System Consolidated Revenue Fixed Rate Refunding Bonds, Series 2008A and Series 2008B
<b>9 /4 /2008</b>	New York State Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2008B
<b>9 /9 /2008</b>	New York State Urban Development Service Contract Revenue Refunding Bonds, Series 2008C

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### Bonds with a Section 1 Disclosure Obligation

<b>9 /10/2008</b>	New York State Thruway Authority State Personal Income Tax Revenue Refunding Bonds, Series 2008A
<b>9 /11/2008</b>	Dormitory Authority for the State of New York, Lease Revenue Bonds State University Dormitory Facilities Issue), Series 2008A
<b>11/25/2008</b>	Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education), Series 2008B
<b>11/25/2008</b>	New York State Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2008D
<b>11/25/2008</b>	Dormitory Authority of the State of New York State Personal Income Tax Revenue Fixed Rate Refunding Bonds, Series 2008C (Education)
<b>12/11/2008</b>	Dormitory Authority of the State of New York, City University System Consolidated Revenue Variable Rate Refunding Bonds, Series 2008CD
<b>12/11/2008</b>	Dormitory Authority of the State of New York, City University System Consolidated Revenue Fixed Rate Refunding Bonds, Series 2008E
<b>12/12/2008</b>	Dormitory Authority of the State of New York Mental Health Services Facilities Improvement Revenue Fixed Rate Refunding Bonds, Series 2008F
<b>1 /14/2009</b>	New York State Housing Finance Agency Service Contract Revenue Variable Rate Remarketing Bonds, Series 2003L, Series 2003M-1, and Series 2003M-2
<b>1 /15/2009</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, Economic Development and Housing Series, 2009A-1, and 2009A-2 (Federally Taxable), State Facilities and Equipment Series, 2009B-1 and 2009B-2 (Federally Taxable)
<b>2 /19/2009</b>	Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds, Series 2009A (EC DEV & HOUSE), Series 2009A (HEALTH), Series 2009A (ED)
<b>3 /4 /2009</b>	New York State Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2009A-1 and Series 2009A-2
<b>3 /19/2009</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2009A Tax-Exempt and Series 2009B Taxable Bonds, Dated March 19, 2009
<b>3 /19/2009</b>	New York State Environmental Facilities Corporation State Personal Income Tax Revenue Bonds, Series 2009A (Environment)



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### Bonds with a Section 1 Disclosure Obligation

<b>3 /26/2009</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Fixed Rate Refunding Bonds, Series 2009A
<b>6 /10/2009</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008B-C/D Tax-Exempt and 2003A-5/6 Tax-Exempt Refunding Bonds, dated June 10, 2009
<b>6 /16/2009</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2009A
<b>6 /30/2009</b>	New York State Thruway Authority 2nd General Highway and Bridge Trust Fund Bonds, Series 2009B
<b>7 /1 /2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2009A, B
<b>8 /3 /2009</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2003A-8V Refunding Bonds (Substitution of Liquidity Facility and Cancellation of Bond Insurance Policy), Dated August 3, 2009.
<b>8 /27/2009</b>	New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Education and Housing), Series 2009AB
<b>8 /31/2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2009D, E, F
<b>9 /24/2009</b>	Dormitory Authority of the State of New York, State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2009A
<b>10/15/2009</b>	New York State Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2009
<b>10/20/2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2009G,H
<b>10/20/2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Education), Qualified School Construction Bonds, Series 2009
<b>11/19/2009</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2009A
<b>12/1 /2009</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2009C & 2009E (Federally Taxable Build America Bonds)

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### Bonds with a Section 1 Disclosure Obligation

<b>12/3 /2009</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2009C Tax-Exempt Refunding Bonds, Dated December 3, 2009
<b>3 /10/2010</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2010A Tax-Exempt Bonds, 2010B Taxable Bonds and 2010C Build America Bonds (BABs), Dated March 3, 2010
<b>3 /10/2010</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2010A
<b>3 /11/2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2010A,C
<b>3 /17/2010</b>	New York State Thruway Authority 2nd General Highway and Bridge Trust Fund Bonds, Series 2010A,B
<b>5 /27/2010</b>	Office of the State Comptroller, New York Local Government Assistance Corporation Series 2010A Refunding Bonds, Dated May 27, 2010
<b>6 /3 /2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2010D
<b>6 /3 /2010</b>	New York State Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2010A
<b>6 /16/2010</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2010 Series 1
<b>8 /26/2010</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2010A
<b>9 /22/2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Education), Qualified School Construction Bonds, Series 2010
<b>9 /24/2010</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2010A
<b>9 /29/2010</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2010A
<b>9 /30/2010</b>	Dormitory Authority of the State of New York, City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2010A
<b>10/14/2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2010E,F,G,H

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### Bonds with a Section 1 Disclosure Obligation

<b>12/1 /2010</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2010B Refunding Bonds, Dated December 1, 2010
<b>12/1 /2010</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2003A-4V Refunding Bonds (Substitution of Liquidity Facility and Cancellation of Bond Insurance Policy), Dated December 1, 2010.
<b>12/8 /2010</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2010 A, & 2010 C (Federally Taxable Build America Bonds)
<b>12/16/2010</b>	Dormitory Authority of the State of New York, State of New York Consolidated Service Contract Refunding Revenue Bonds, Series 2010
<b>3 /30/2011</b>	Dormitory Authority of the State of New York, Secured Hospital Revenue Refunding Bonds, Series 2011 (NY Downtown Hospital)
<b>3 /30/2011</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2011A Tax-Exempt, Series 2011B Taxable, Series 2011C Tax-Exempt Refunding and 2011D Taxable Refunding Bonds, Dated March 30, 2011
<b>6 /9 /2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011A&B
<b>6 /23/2011</b>	New York State Thruway Authority 2nd General Highway Bridge & Trust Fund Bonds, Series 2011A
<b>6 /29/2011</b>	New York State Housing Finance Agency Consolidated Service Contract Revenue Bonds, 2011 Series A Refunding
<b>7 /6 /2011</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2011A
<b>7 /7 /2011</b>	Tobacco Settlement Financing Corporation (State of New York) Asset-Backed Revenue Bonds Series 2011A and Series 2011B (State Contingency Contract Secured)
<b>7 /13/2011</b>	Dormitory Authority of the State of New York, Department of Health Veterans Homes Issue, Series 2011A
<b>7 /13/2011</b>	Dormitory Authority of the State of New York, Department of Health Revenue Refunding Bonds, Series 2011A
<b>7 /21/2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011C

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### **Bonds with a Section 1 Disclosure Obligation**

<b>9 /8 /2011</b>	New York State Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2011A
<b>9 /14/2011</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2011A
<b>9 /15/2011</b>	Office of the State Comptroller, State of New York Local Government Assistance Corporation, Series 2011A Refunding Bonds, Dated September 15, 2011
<b>10/13/2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011E&F
<b>12/8 /2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011G
<b>12/15/2011</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2011E Tax-Exempt and 2011F Taxable Bonds, Dated December 15, 2011
<b>12/21/2011</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2011A, 2011B (Federally Taxable)
<b>2 /23/2012</b>	Dormitory Authority of the State of New York, Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2012A
<b>3 /22/2012</b>	New York State Thruway Authority 2nd General Highway Bridge and Trust Fund Bonds, Series 2012A
<b>6 /1 /2012</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2012A Refunding Bonds, Dated June 1, 2012
<b>6 /28/2012</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2012A
<b>7 /26/2012</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2012B & 2012C
<b>9 /6 /2012</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2012A
<b>9 /19/2012</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2012A
<b>10/18/2012</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2012D,E,F

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### **Bonds with a Section 1 Disclosure Obligation**

<b>3 /19/2013</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2013A-1, 2013A-2, 2013B (Federally Taxable)
<b>3 /19/2013</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2013A Tax-Exempt, Series 2013B Taxable and Series 2013C Tax-Exempt Refunding Bonds, Dated March 19, 2013
<b>7 /11/2013</b>	New York State Thruway Authority, State Personal Income Tax Revenue Bonds, Series 2013A
<b>7 /25/2013</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2013A&B
<b>9 /26/2013</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2013 C, 2013 D
<b>10/24/2013</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2013A
<b>12/12/2013</b>	Tobacco Settlement Financing Corporation (State of New York) Asset-Backed Revenue Bonds Series 2013A and Series 2013B (State Contingency Contract Secured)
<b>12/19/2013</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2013 E, 2013 F (Federally Taxable)
<b>3 /21/2014</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2014A
<b>7 /8 /2014</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2014C&D
<b>10/23/2014</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2014A
<b>12/18/2014</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2014A, 2014B (Federally Taxable)
<b>12/30/2014</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2014E,F,G
<b>1 /14/2015</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015A
<b>1 /22/2015</b>	Dormitory Authority of the State of New York, Secured Hospital Revenue Refunding Bonds, Series 2015

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### Bonds with a Section 1 Disclosure Obligation

<b>3 /19/2015</b>	Office of the State Comptroller, State of New York General Obligation Bonds, Series 2015A Tax-Exempt, Series 2015B Taxable and Series 2015C Tax-Exempt Refunding Bonds, Dated March 19, 2015
<b>6 /19/2015</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015B
<b>7 /30/2015</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2015A
<b>9 /11/2015</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015E
<b>10/22/2015</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2015B
<b>12/17/2015</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015A, 2015B (Federally Taxable)
<b>3 /17/2016</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, (General Purpose), Series 2016A
<b>9 /16/2016</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2016A, 2016B, 2016C (Federally Taxable)
<b>9 /29/2016</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2016A
<b>10/20/2016</b>	Dormitory Authority of the State of New York, Personal Income Tax Revenue Bonds, (General Purpose), Series 2016D
<b>10/21/2016</b>	Dormitory Authority of the State of New York, Department of Health Revenue Refunding Bonds, Series 2016A
<b>3 /23/2017</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, Series 2017A and 2017B

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# Appendix B

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## **APPENDIX B**

### **Bonds with a Section 2 Disclosure Obligation**

<b>7 /22/1993</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 1993C Refunding Bonds, Dated July 1, 1993
<b>12/23/1993</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 1993E Refunding Bonds, Dated December 1, 1993
<b>11/1 /1998</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 1998 Series 1
<b>10/26/2000</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2000C
<b>12/21/2001</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2001 Series 2 (Subseries 2-1 through 2-5)
<b>2 /20/2003</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2003A Refunding Bonds, Dated February 20, 2003
<b>7 /15/2003</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2003D-2
<b>1 /8 /2004</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2003B
<b>12/22/2004</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (State Facilities & Equipment), Series 2004A-2, 2004A-3
<b>2 /24/2005</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2005C-1
<b>3 /2 /2005</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds (Education), Series 2005B
<b>3 /10/2005</b>	New York State Housing Finance Agency, State Personal Income Tax Revenue Bonds (Economic Development and Housing), 2005 Series A, 2005 Series B and 2005 Series C
<b>9 /8 /2005</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2005B
<b>3 /16/2006</b>	New York State Housing Finance Agency, Personal Income Tax Revenue Bonds (Economic Development and Housing) 2006 Series A, 2006 Series B,(Federally Taxable) and 2006 Series C

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### **Bonds with a Section 2 Disclosure Obligation**

<b>6 /14/2006</b>	Dormitory Authority of the State of New York, Municipal Health Facilities improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2006A
<b>1 /18/2007</b>	New York State Environmental Facilities Corporation, State Personal Income Tax Revenue Bonds, Series 2007A
<b>3 /15/2007</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (State Facilities & Equipment), Series 2007B
<b>3 /15/2007</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (Economic Dev. & Housing), Series 2007A
<b>3 /21/2007</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2007A, 2007C, 2007D
<b>3 /28/2007</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2007A
<b>4 /4 /2007</b>	New York State Housing Finance Agency, Personal Income Tax Revenue Bonds (Economic Development and Housing) Series 2007A, B & C
<b>6 /20/2007</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2007B
<b>8 /1 /2007</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2007
<b>8 /22/2007</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2007A Refunding Bonds, Dated August 22, 2007
<b>9 /25/2007</b>	New York State Thruway Authority, State Personal Income Tax Revenue Bonds, Series 2007A (Refunding)
<b>10/25/2007</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (State Facilities & Equipment), Series 2007C
<b>1 /10/2008</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Education), Series 2007C
<b>1 /17/2008</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds (Economic Development & Housing), Series 2008A-1, Series 2008A-2 (Federally Taxable)
<b>2 /28/2008</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008A Refunding Bonds, Dated February 28, 2008

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### **Bonds with a Section 2 Disclosure Obligation**

<b>3 /12/2008</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Economic Development and Housing), Series 2008A and Series 2008B (Federally Taxable)
<b>3 /20/2008</b>	New York State Thruway Authority, Second General Highway and Bridge Trust Fund Bonds, Series 2008A
<b>3 /27/2008</b>	New York State Environmental Facilities Corporation, State Personal Income Tax Revenue Bonds, Series 2008A
<b>6 /12/2008</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2008 Series 1
<b>6 /19/2008</b>	New York State Housing Finance Agency State Personal Income Tax Revenue Variable Rate Refunding Bonds, Series 2008AB
<b>6 /19/2008</b>	New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008AB
<b>6 /26/2008</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008B Variable Rate Refunding Bonds, Dated June 26, 2008
<b>7 /24/2008</b>	Dormitory Authority of the State of New York Mental Health Services Facilities Improvement Bonds, Series 2008A-E
<b>8 /21/2008</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008C Refunding Bonds, Dated August 21, 2008
<b>9 /4 /2008</b>	New York State Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2008B
<b>9 /10/2008</b>	New York State Thruway Authority State Personal Income Tax Revenue Refunding Bonds, Series 2008A
<b>9 /11/2008</b>	Dormitory Authority for the State of New York, Lease Revenue Bonds State University Dormitory Facilities Issue), Series 2008A
<b>11/25/2008</b>	Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education), Series 2008B
<b>11/25/2008</b>	Dormitory Authority of the State of New York State Personal Income Tax Revenue Fixed Rate Refunding Bonds, Series 2008C (Education)
<b>12/12/2008</b>	Dormitory Authority of the State of New York Mental Health Services Facilities Improvement Revenue Fixed Rate Refunding Bonds, Series 2008F

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### Bonds with a Section 2 Disclosure Obligation

<b>1 /15/2009</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, Economic Development and Housing Series, 2009A-1, and 2009A-2 (Federally Taxable), State Facilities and Equipment Series, 2009B-1 and 2009B-2 (Federally Taxable)
<b>2 /19/2009</b>	Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds, Series 2009A (EC DEV & HOUSE), Series 2009A (HEALTH), Series 2009A (ED)
<b>3 /4 /2009</b>	New York State Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2009A-1 and Series 2009A-2
<b>3 /19/2009</b>	New York State Environmental Facilities Corporation State Personal Income Tax Revenue Bonds, Series 2009A (Environment)
<b>3 /26/2009</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Fixed Rate Refunding Bonds, Series 2009A
<b>6 /10/2009</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2008B-C/D Tax-Exempt and 2003A-5/6 Tax-Exempt Refunding Bonds, dated June 10, 2009
<b>6 /16/2009</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2009A
<b>6 /30/2009</b>	New York State Thruway Authority 2nd General Highway and Bridge Trust Fund Bonds, Series 2009B
<b>7 /1 /2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2009A, B
<b>8 /3 /2009</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2003A-8V Refunding Bonds (Substitution of Liquidity Facility and Cancellation of Bond Insurance Policy), Dated August 3, 2009.
<b>8 /27/2009</b>	New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Education and Housing), Series 2009AB
<b>8 /31/2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2009D, E, F
<b>10/20/2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Education), Qualified School Construction Bonds, Series 2009
<b>10/20/2009</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2009G,H

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### **Bonds with a Section 2 Disclosure Obligation**

<b>11/19/2009</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2009A
<b>12/1 /2009</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2009C & 2009E (Federally Taxable Build America Bonds)
<b>3 /10/2010</b>	Dormitory Authority of the State of New York, Mental Health Services Facilities Improvement Revenue Bonds, Series 2010A
<b>3 /11/2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2010A,C
<b>3 /17/2010</b>	New York State Thruway Authority 2nd General Highway and Bridge Trust Fund Bonds, Series 2010A,B
<b>5 /27/2010</b>	Office of the State Comptroller, New York Local Government Assistance Corporation Series 2010A Refunding Bonds, Dated May 27, 2010
<b>6 /3 /2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2010D
<b>6 /16/2010</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2010 Series 1
<b>8 /26/2010</b>	Dormitory Authority of the State of New York, Municipal Health Facilities Improvement Program Lease Revenue Bonds (The City of New York Issue), Series 2010A
<b>9 /22/2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (Education), Qualified School Construction Bonds, Series 2010
<b>9 /24/2010</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2010A
<b>9 /29/2010</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2010A
<b>10/14/2010</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2010E,F,G,H
<b>12/1 /2010</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2010B Refunding Bonds, Dated December 1, 2010
<b>12/1 /2010</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2003A-4V Refunding Bonds (Substitution of Liquidity Facility and Cancellation of Bond Insurance Policy), Dated December 1, 2010.

## **APPENDIX B**

### **Bonds with a Section 2 Disclosure Obligation**

<b>6 /9 /2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011A&B
<b>6 /23/2011</b>	New York State Thruway Authority 2nd General Highway Bridge & Trust Fund Bonds, Series 2011A
<b>7 /6 /2011</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2011A
<b>7 /7 /2011</b>	Tobacco Settlement Financing Corporation (State of New York) Asset-Backed Revenue Bonds Series 2011A and Series 2011B (State Contingency Contract Secured)
<b>7 /13/2011</b>	Dormitory Authority of the State of New York, Department of Health Veterans Homes Issue, Series 2011A
<b>7 /13/2011</b>	Dormitory Authority of the State of New York, Department of Health Revenue Refunding Bonds, Series 2011A
<b>7 /21/2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011C
<b>9 /14/2011</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2011A
<b>9 /15/2011</b>	Office of the State Comptroller, State of New York Local Government Assistance Corporation, Series 2011A Refunding Bonds, Dated September 15, 2011
<b>10/13/2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011E&F
<b>12/8 /2011</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2011G
<b>12/21/2011</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2011A, 2011B (Federally Taxable)
<b>3 /22/2012</b>	New York State Thruway Authority 2nd General Highway Bridge and Trust Fund Bonds, Series 2012A
<b>6 /1 /2012</b>	Office of the State Comptroller, New York Local Government Assistance Corporation, Series 2012A Refunding Bonds, Dated June 1, 2012
<b>6 /28/2012</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2012A

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### **Bonds with a Section 2 Disclosure Obligation**

<b>7 /26/2012</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2012B & 2012C
<b>9 /6 /2012</b>	New York State Thruway Authority Personal Income Tax Revenue Bonds, Series 2012A
<b>9 /19/2012</b>	Dormitory Authority of the State of New York, Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2012A
<b>10/18/2012</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2012D,E,F
<b>3 /19/2013</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2013A-1, 2013A-2, 2013B (Federally Taxable)
<b>7 /11/2013</b>	New York State Thruway Authority, State Personal Income Tax Revenue Bonds, Series 2013A
<b>7 /25/2013</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2013A&B
<b>9 /26/2013</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2013 C, 2013 D
<b>10/24/2013</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2013A
<b>12/12/2013</b>	Tobacco Settlement Financing Corporation (State of New York) Asset-Backed Revenue Bonds Series 2013A and Series 2013B (State Contingency Contract Secured)
<b>12/19/2013</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2013 E, 2013 F (Federally Taxable)
<b>3 /21/2014</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2014A
<b>7 /8 /2014</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2014C&D
<b>10/23/2014</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2014A
<b>12/18/2014</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, General Purpose 2014A, 2014B (Federally Taxable)

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### **Bonds with a Section 2 Disclosure Obligation**

<b>12/30/2014</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2014E,F,G
<b>1 /14/2015</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015A
<b>1 /22/2015</b>	Dormitory Authority of the State of New York, Secured Hospital Revenue Refunding Bonds, Series 2015
<b>6 /19/2015</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015B
<b>7 /30/2015</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2015A
<b>9 /11/2015</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015E
<b>10/22/2015</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2015B
<b>12/17/2015</b>	New York State Urban Development Corporation, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2015A, 2015B (Federally Taxable)
<b>3 /17/2016</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, (General Purpose), Series 2016A
<b>9 /16/2016</b>	Dormitory Authority of the State of New York, State Personal Income Tax Revenue Bonds, (General Purpose), Series 2016A, 2016B, 2016C (Federally Taxable)
<b>9 /29/2016</b>	Dormitory Authority of the State of New York, State Sales Tax Revenue Bonds, Series 2016A
<b>10/20/2016</b>	Dormitory Authority of the State of New York, Personal Income Tax Revenue Bonds, (General Purpose), Series 2016D
<b>10/21/2016</b>	Dormitory Authority of the State of New York, Department of Health Revenue Refunding Bonds, Series 2016A
<b>3 /23/2017</b>	New York State Urban Development Corporation State Personal Income Tax Revenue Bonds, Series 2017A and 2017B