NEW YORK STATE

STATEMENT OF
ANNUAL INFORMATION UPDATED
PURSUANT TO CONTINUING
DISCLOSURE AGREEMENTS

FOR FISCAL YEAR 2005-06

DATED July 28, 2006

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STATEMENT OF UPDATED ANNUAL INFORMATION

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Introduction

In accordance with its contractual secondary market disclosure obligations for the 2005-06 fiscal year, the State of New York (the "State") herein provides a Statement of Updated Annual Information, dated July 28, 2006 (the “Update”), to each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”).

The Update provides updated annual information with respect to official statements relating to certain series of bonds issued by the State or its public authorities as follows:

I) Section 1 of the Update contains updated annual information of the type included in the Annual Information Statement of the State that was set forth or incorporated by reference as an appendix to the official statements for certain State-related and State-supported series of bonds, under the headings or subheadings “Prior Fiscal Years”, “Debt and Other Financing Activities”, “State Organization (including State Employment)”, “State Retirement Systems”, “Authorities and Localities”, and, “Economics and Demographics”.

Section 1 of the Update is submitted pursuant to the State’s contractual disclosure obligations for the series of bonds listed in Appendix A.

II) Section 2 of the Update contains additional updated annual financial information and operating data that relate to dedicated funds or other revenue sources that are used to pay the debt service on certain State-related and State-supported bonds. The contents of this Section 2 are not intended to provide, in scope or substance, information relating to the financial condition of the State in general.

The format used in Section 2 of this Update is that of extracts from the most recently issued official statements of the State and its public authorities and the information contained therein reflects, to the extent applicable, subsequent changes or events from their respective dates of issuance. **Section 2 is intended as an update only of the information contained in such extracts and not all relevant information relating to the bonds for which the official statements were issued**. As a result, readers are advised to review the contents of Section 2 together with complete copies of the most recent relevant official statements which apply to such bonds.

Section 2 of the Update has been prepared and submitted pursuant to the State’s contractual disclosure obligation for the series of bonds listed in Appendix B.

Information contained in this Update is intended to be limited to that required to be updated pursuant to the State’s disclosure obligations. However, certain information may have been included in this Update that the State is not contractually obligated to provide. The inclusion of such additional information should not be construed as creating any obligation or agreement on the part of the State to include such additional information in any future annual updates.

This Update should not be confused with the State's Annual Information Statement dated June 12, 2006. This Update is not intended to serve, nor does it serve, as the AIS. Although information contained in Section 1 may also be included in the AIS, Section 1 is comprised of only the information for which the State is obligated to update annually pursuant to its contractual continuing disclosure obligations.

The AIS was filed separately with the NRMSIRs on June 12, 2006 and contains other information which may also be useful to investors and other municipal market participants. Individuals may obtain an official copy of the AIS from a NRMSIR, or by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Telephone: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.state.ny.us/dob.

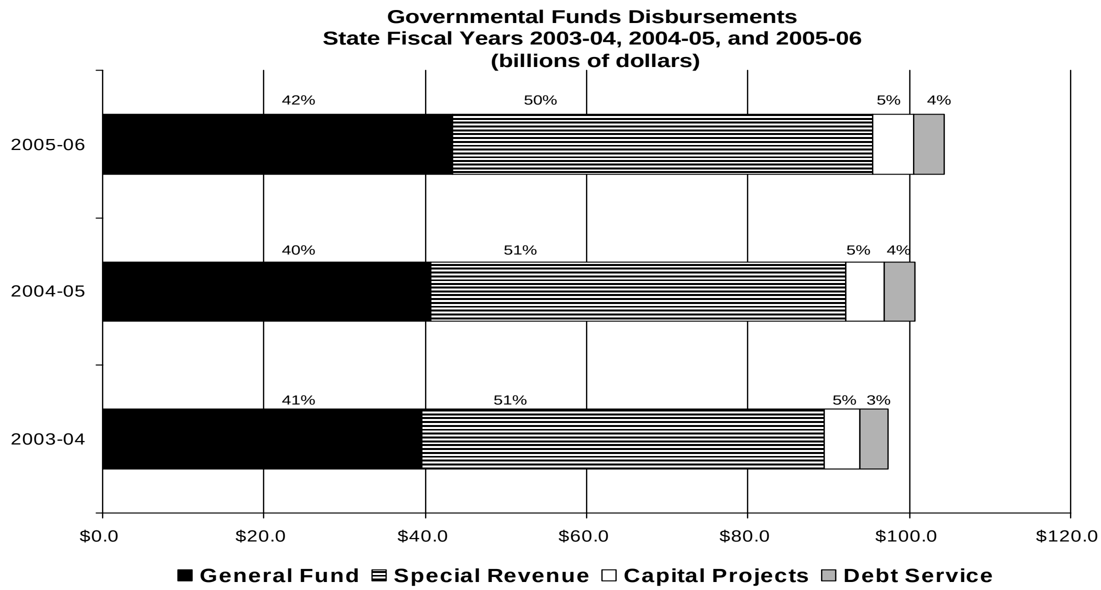
Section 1 - Update to Certain Sections of the Annual Information Statement

Information contained in this Section 1 is limited to that required to be updated pursuant to relevant disclosure obligations. Section 1 is not intended to serve, nor does it serve, as a full update to all information contained in the Annual Information Statement.

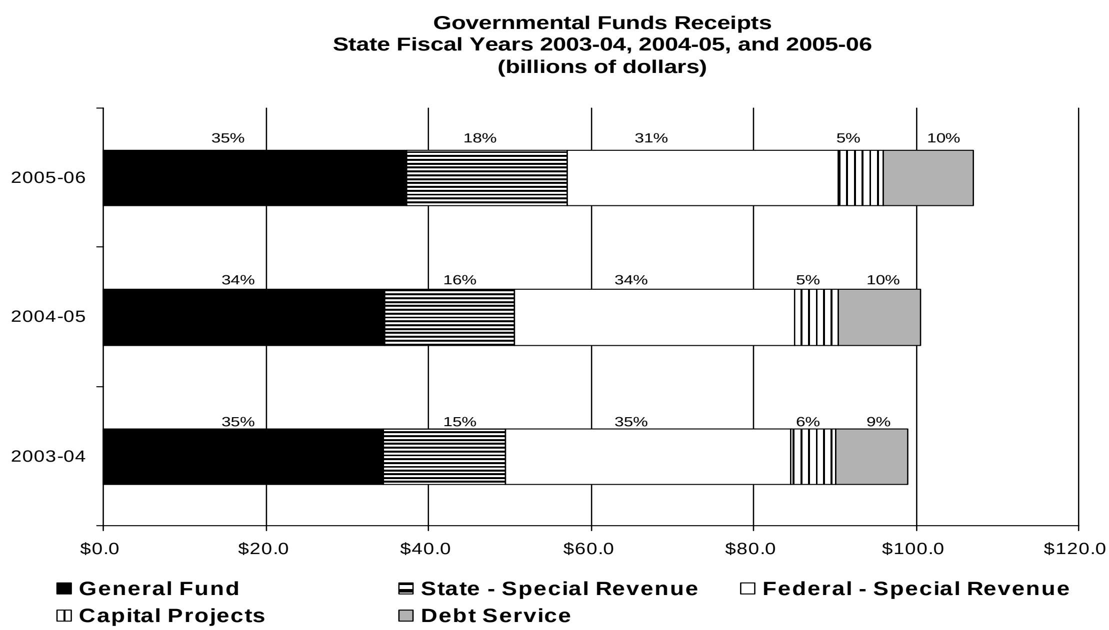
Section 1: Subsection A
“Prior Fiscal Years”

Prior Fiscal Years

The following four tables show the composition of the State's governmental funds and its General Fund. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

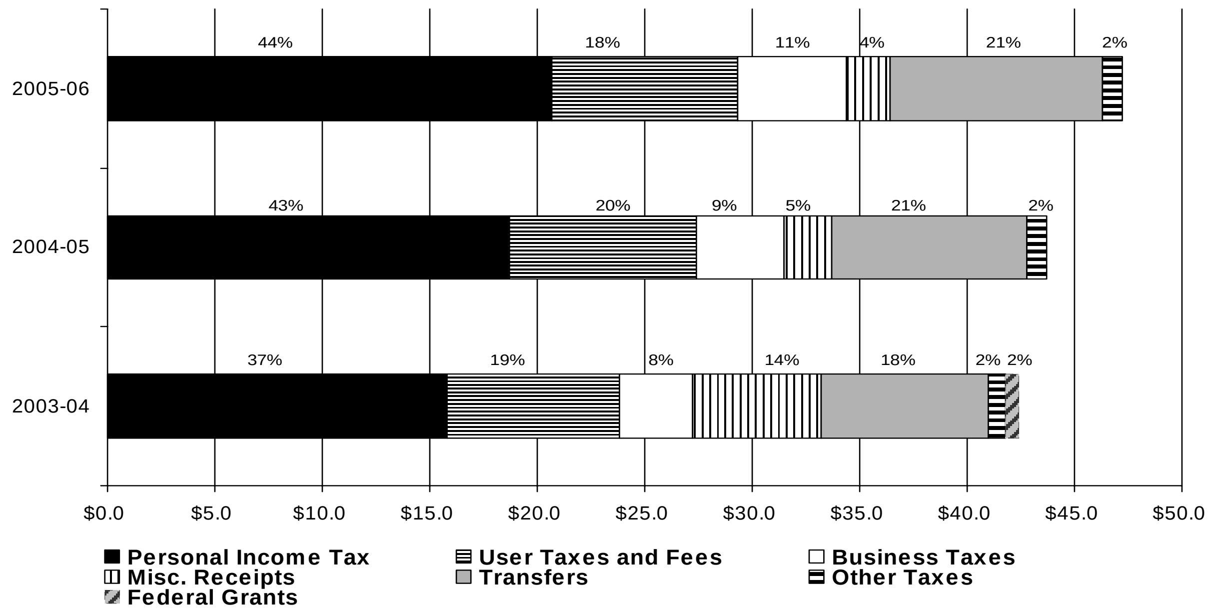


Note: Percentage total may not add due to rounding.



Note: Percentage total may not add due to rounding.

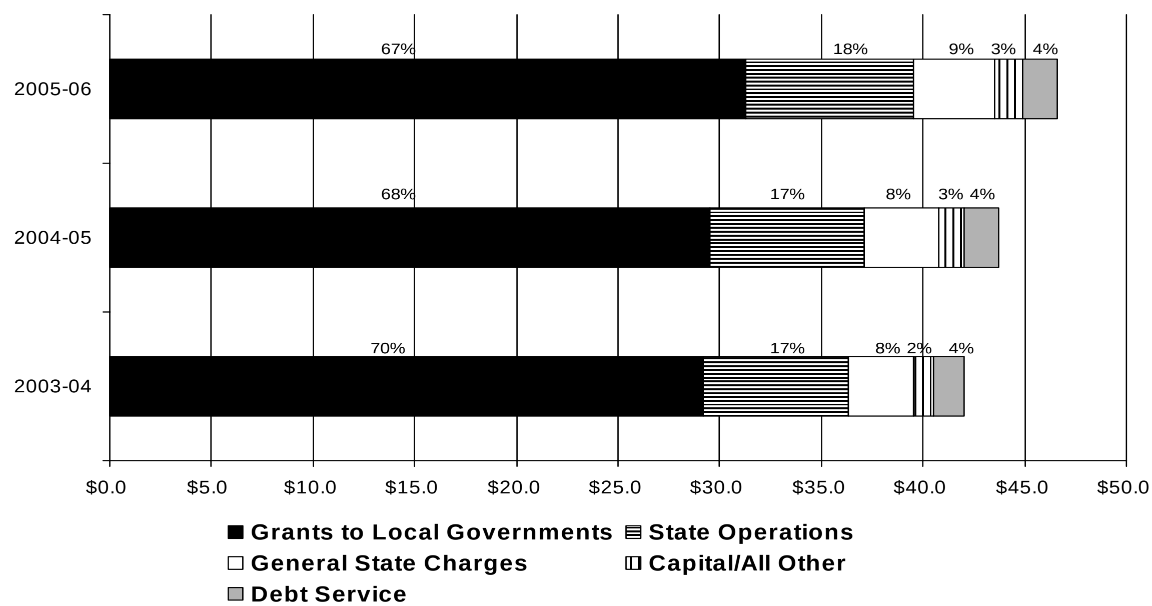
General Fund Receipts and Transfers by Source
State Fiscal Years 2003-04, 2004-05, and 2005-06
(billions of dollars)



Notes: Miscellaneous receipts are affected by tobacco securitization in 2003-04 (miscellaneous receipts for 2003-04 include $4.2 billion in tobacco securitization proceeds).

Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2003-04, 2004-05, and 2005-06
(billions of dollars)



Note: Percentage total may not add due to rounding.

Cash-Basis Results for Prior Fiscal Years

The State reports its financial results on two bases of accounting: the cash basis, showing receipts and disbursements; and the modified accrual basis, prescribed by GAAP, showing revenues and expenditures. Unless specifically noted, the Financial Plan results reported in this section have been audited.

General Fund 2003-04 through 2005-06

The General Fund is the principal operating fund of the State and is used to account for all financial transactions, except those required 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 capital projects and debt service payments in other fund types.

Recent Trends

Over the last three years, State finances have rebounded from the lingering effects of the September 11th terrorist attacks on New York City and the national recession, weakness in the financial services sector, and the use of non-recurring resources and reserves to support spending. The State's recovery is securely in the middle of its third year and the State's economy is experiencing robust growth. The State ended each of the last three fiscal years with an increasing level of operating surplus in the General Fund.

2005-06 Fiscal Year

DOB reported a 2005-06 General Fund surplus of $2.0 billion. Total receipts, including transfers from other funds, were $47.2 billion. Disbursements, including transfers to other funds, totaled $46.5 billion.

The General Fund ended the 2005-06 fiscal year with a balance of $3.3 billion, which included dedicated balances of $944 million in the TSRF (the State's "rainy day fund") (after a $72 million deposit at the close of 2005-06), the Contingency Reserve Fund ($21 million), and the Community Projects Fund ($251 million). The closing balance also included $2.0 billion in a spending stabilization reserve.

General Fund receipts, including transfers from other funds and the impact of the tax refund reserve transaction, totaled $47.2 billion in 2005-06, an increase of $3.3 billion from 2004-05 results. Tax receipts increased by $3.8 billion and transfers increased by $743 million, while miscellaneous receipts decreased by $197 million. The decline in miscellaneous receipts was primarily attributable to the loss of various one-time receipts including the securitization of tobacco proceeds.

General Fund spending, including transfers to other funds, totaled $46.5 billion in 2005-06, an increase of $2.9 billion from 2004-05. The main sources of annual growth were Medicaid, school aid, and fringe benefits.

2004-05 Fiscal Year

DOB reported a 2004-05 General Fund surplus of $1.2 billion. Total receipts, including transfers from other funds, were $43.9 billion. Disbursements, including transfers to other funds, totaled $43.6 billion.

The General Fund ended the 2004-05 fiscal year with a balance of $2.5 billion, which included dedicated balances of $872 million in the TSRF (the State's "rainy day fund") (after a $78 million deposit at the close of 2004-05), the Contingency Reserve Fund ($21 million), and the Community Projects Fund ($325 million). The closing fund balance also included $1.3 billion on deposit in the refund reserve account at the end of the 2004-05 fiscal year, including $601 million in a new spending stabilization reserve.

General Fund receipts, including transfers from other funds, totaled $43.9 billion in 2004-05, an increase of $939 million from 2003-04 results. Tax receipts, including the impact of the tax refund reserve transaction, increased by nearly $4 billion on an annual basis. The growth was offset by an annual decline of $3.5 billion in miscellaneous receipts, due mainly to the State's securitization of tobacco settlement payments in 2003-04.

General Fund spending, including transfers to other funds, totaled $43.6 billion in 2004-05, an increase of $1.6 billion from 2003-04. Medicaid, school aid, fringe benefits, and debt service were the main sources of annual growth.

2003-04 Fiscal Year

DOB reported a 2003-04 General Fund surplus of $308 million. Total receipts, including transfers from other funds, were $42.9 billion. Disbursements, including transfers to other funds, totaled $42.1 billion.

The General Fund ended the 2003-04 fiscal year with a balance of $2.3 billion, which included dedicated balances of $794 million in the TSRF (the State's "rainy day fund") (after an $84 million deposit at the close of 2003-04), $21 million in the Contingency Reserve Fund, and $262 million in the Community Projects Fund. The closing fund balance also included $1.2 billion on deposit in the refund reserve account at the end of the 2003-04 fiscal year.

General Fund receipts, including transfers from other funds, totaled $42.9 billion in 2003-04, an increase of $4.9 billion from 2002-03 results. Tax receipts, including the impact of the tax refund reserve transaction, increased by $451 million on an annual basis. Miscellaneous receipts increased by $3.8 billion, due mainly to the State's securitization of tobacco settlement payments. Federal grants also increased by $645 million, reflecting extraordinary Federal aid.

General Fund spending, including transfers to other funds, totaled $42.1 billion in 2003-04, an increase of $4.5 billion from 2002-03 results. The growth was largely attributable to the annual impact of payment deferrals and spending growth in welfare and Medicaid.

State Funds 2003-04 through 2005-06

The State Funds Financial Plan comprises that portion of the All Funds Plan supported exclusively by State taxes, fees, and other resources. It includes the General Fund and State-financed special revenue, capital, and debt service funds, but excludes Federal aid.

Recent Trends

State Funds spending increased from $64.0 billion in 2004-05 to $69.7 billion in 2005-06, an increase of $5.8 billion or 9.0 percent. The General Fund portion of State Funds increased by $2.9 billion. The remaining growth consisted of higher spending for programs supported by special revenue ($2.5 billion), and capital projects ($548 million), partially offset by lower spending for programs supported by debt service funds ($40 million). Spending in State-supported special revenue funds for the Health Care Reform Act (HCRA) increased by $957 million, reflecting additional spending related to bringing all HCRA funded programs on-budget. Spending in State-supported special revenue funds for the Medicaid program increased by $607 million, reflecting in large part the costs associated with the State takeover of the local share of the FHP program and the State cap on local costs. Spending in State-supported special revenue funds for transportation increased by $567 million, largely attributable to the prepayment of 2006-07 obligations. Sources of annual growth in State capital projects included work done at State University (SUNY) and City University (CUNY), and increased funding for the New York State Economic Development Program. Sources of reduced spending in debt service reflect reduced debt service costs from restructuring, refunding, and other debt management activities.

Over the three-year period beginning in 2003-04, State Funds spending has grown by an average 6.6 percent annually. In recent years, the State has financed 35-38 percent of its operations outside of the General Fund. Historically, the State has financed an increasing share of its operations outside of the General Fund.

Major programmatic changes that have increased activity outside the General Fund include the financing of certain Medicaid and other health care costs under HCRA and the creation of the STAR program that is funded by directing PIT receipts to a special revenue fund. The State has also seen growth in the portion of transportation-related revenues transferred from the General Fund to two dedicated funds in the special revenue and capital projects fund types to support the capital programs of DOT, MTA and other transit entities.

2005-06 Fiscal Year

The State ended the 2005-06 fiscal year with a State Funds cash balance of $6.8 billion. In addition to the $3.3 billion General Fund balance, the State's special revenue funds had a closing balance of $3.7 billion and the debt service funds had a closing balance of $221 million, partially offset by a negative balance in the capital projects funds of $406 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The largest fund balances are dedicated to finance ongoing HCRA programs ($1.6 billion) and the operations and activities of SUNY campuses ($339 million). The remaining special revenue fund balances are held in numerous funds and accounts that support a variety of programs including industry regulation, public health, and public safety. The fund balance in the debt service funds reflects the timing of bond sales. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

State Funds receipts totaled $71.7 billion in 2005-06, an increase of $7.4 billion from the 2004-05 results. The annual growth in General Fund receipts combined with growth in other State taxes and miscellaneous receipts, particularly the receipt of $2.7 billion in health care conversion proceeds in 2005-06, accounted for the annual change. Actual State Funds disbursements totaled $69.7 billion, an increase of $5.8 billion from the 2004-05 results. The annual change in General Fund spending combined with growth in other State funds spending, particularly for HCRA and Medicaid, accounted for the annual change.

2004-05 Fiscal Year

The State ended the 2004-05 fiscal year with a State Funds cash balance of $3.2 billion. In addition to the General Fund balance, the State's special revenue funds had a closing balance of $2.0 billion and the debt service funds had a closing balance of $184 million, partially offset by a negative balance in the capital projects funds of $206 million. The fund balance in the special revenue funds largely reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The fund balance was held in numerous funds/accounts that support a variety of programs including operations and activities of SUNY campuses, industry regulation, public health, public safety, and transportation. The fund balance in the debt service funds reflects the timing of bond sales. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

State Funds receipts totaled $64.2 billion in 2004-05, an increase of $2.0 billion from the 2003-04 results. In addition to the growth in General Fund receipts described above, tax receipts to other State funds also increased. Actual State Funds disbursements totaled $64.0 billion in 2004-05, an increase of $2.6 billion from the 2003-04 results. Medicaid, school aid, higher education, and fringe benefits were the main sources of annual growth.

2003-04 Fiscal Year

The State ended the 2003-04 fiscal year with a State Funds cash balance of $2.6 billion. In addition to the General Fund balance, the State's special revenue funds had a closing balance of $1.7 billion and the debt service funds had a closing balance of $175 million, partially offset by a negative balance in the capital projects funds of $336 million. The fund balance in the special revenue funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The largest special revenue fund balance was dedicated to finance the operations and activities of SUNY campuses and central administration ($442 million). The remaining fund balances were held in numerous funds/accounts that support a variety of programs including industry regulation, public health, and public safety. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

State Funds receipts totaled $62.2 billion in 2003-04, an increase of $7.5 billion from the 2002-03 results. The increase to State Funds receipts was primarily driven by proceeds from the securitization of tobacco moneys and tax increases included in the 2003-04 Enacted Budget. Actual State Funds disbursements totaled $61.3 billion in 2003-04, an increase of $5.9 billion from the 2002-03 results. This annual change reflects the impact of payment deferrals, and spending growth in public assistance, Medicaid, and fringe benefits.

All Funds 2003-04 through 2005-06

The All Funds Financial Plan includes Federal aid received by the State, making it the broadest measure of the State budget. The All Funds Financial Plan records the operations of the four governmental fund types: the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

Recent Trends

All Funds spending totaled $104.3 billion in 2005-06, $3.7 billion (3.6 percent) higher than in 2004-05. The State funds component of All Funds spending increased by $5.8 billion, as described above, was partly offset by the Federal component of All Funds spending which declined by $2.1 billion (5.7 percent) from 2004-05 levels.

Significant areas of Federal decline included World Trade Center costs and Medicaid, partly offset by increased Federal grants for school aid. World Trade Center costs declined by $1.3 billion because the payment of Federal funds which "pass-through" from the State to New York

City, for costs directly related to the September 11th attacks, was largely completed in 2004-05. Medicaid spending supported by Federal funds decreased by $1.1 billion, primarily reflecting the phase-out of temporary Federal aid increases in 2004-05 and delay in Federal approval of certain payments to hospitals. Federal aid to school increased by $230 million and consisted of increased grants to high-poverty school districts around the State and increased aid for the School Lunch and Breakfast program.

2005-06 Fiscal Year

The State ended the 2005-06 fiscal year with an All Funds cash balance of $7.1 billion. Federal Funds had a closing balance of $249 million, including $447 million in Federal special revenue funds, partially offset by a negative balance in the Federal capital projects funds of $198 million. The fund balance in the special revenue funds partly reflects the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

All Funds receipts for 2005-06 totaled $107 billion, an increase of $6.3 billion over 2004-05 results. Strong growth in tax collections and moderate growth in miscellaneous receipts, were partially offset by a decline in Federal grants. All Funds disbursements for 2005-06 totaled $104.3 billion, an increase of $3.7 billion over 2004-05 results. The annual change reflects growth in Medicaid, other public health programs, and school aid, partially offset by the decline in Federal pass-through aid for the World Trade Center.

2004-05 Fiscal Year

The State ended the 2004-05 fiscal year with an All Funds cash balance of $4.3 billion. Federal Funds had a negative closing balance of $249 million, including $248 million in Federal capital projects funds and $1 million in Federal special revenue funds. The negative balance in the capital projects fund results from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

All Funds receipts for 2004-05 totaled $100.7 billion, an increase of $1.6 billion from the 2003-04 results. Increased personal income tax collections, business tax and real estate transfer tax collections were partially offset by a decline in both miscellaneous receipts and Federal Grants. All Funds disbursements for 2004-05 totaled $100.7 billion, an increase of $3.3 billion from the 2003-04 results. The annual change largely reflects growth in Medicaid, school aid, fringe benefits, and debt service.

2003-04 Fiscal Year

The State ended the 2003-04 fiscal year with an All Funds cash balance of $2.9 billion. Federal Funds had a closing balance of $321 million, including $480 million in Federal special revenue funds, partially offset by a negative balance in the Federal capital projects funds of $159 million. The fund balance in the special revenue funds partly reflected the timing of receipts and disbursements (e.g. dedicated monies received for a specified purpose prior to disbursement). The negative balance in the capital projects fund resulted from outstanding loans from STIP used to finance capital projects costs prior to the receipt of bond proceeds.

All Funds receipts for 2003-04 totaled $99 billion, an increase of $10.9 billion from 2002-03 results. The annual change reflects the growth in State Funds receipts described above, combined with growth in Federal aid. All Funds disbursements for 2003-04 totaled $97.3 billion, an increase of $8.3 billion from 2002-03 results. The annual change reflects the growth in State Funds disbursements described above, combined with growth in Federal aid for Medicaid, K-12 education, and the World Trade Center.

COMPARISON OF ACTUAL GENERAL FUND RECEIPTS AND DISBURSEMENTS
2003-04 THROUGH 2005-06
(millions of dollars)

	2003-04	2004-05	2005-06
OPENING FUND BALANCE (1)	1,443	2,302	2,546
Personal Income Tax (1) (2)	16,371	18,781	20,700
User Taxes and Fees:			
Sales and Use Tax (3)	7,241	8,094	7,978
Cigarette and Tobacco Tax	419	406	403
Motor Fuel Tax	0	0	0
Motor Vehicle Fees	82	4	24
Alcoholic Beverage Taxes and Fees	237	227	234
Subtotal	7,979	8,731	8,639
Business Taxes:			
Corporation Franchise Tax	1,482	1,858	2,664
Corporation and Utilities Taxes	715	617	591
Insurance Taxes	930	1,007	987
Bank Tax	286	587	842
Subtotal	3,413	4,069	5,084
Other Taxes:			
Estate and Gift Taxes	736	898	857
Real Property Gains Tax	4	1	1
Pari-mutuel Tax	27	26	22
Other Taxes	1	1	1
Subtotal	768	926	881
Miscellaneous Receipts & Federal Grants	6,571	2,226	2,029
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	5,244	5,981	6,500
Sales Tax in Excess of LGAC Debt Service	1,971	2,182	2,295
All Other Transfers	607	967	1,078
Subtotal	7,822	9,130	9,873
TOTAL RECEIPTS	42,924	43,863	47,206
Grants to Local Governments	29,246	29,493	31,287
State Operations	7,093	7,565	8,160
General State Charges	3,247	3,653	3,975
Transfers to Other Funds:			
In Support of Debt Service	1,474	1,731	1,710
In Support of Capital Projects	229	193	286
All Other Transfers	776	984	1,077
Subtotal	2,479	2,908	3,073
TOTAL DISBURSEMENTS	42,065	43,619	46,495
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	859	244	711
CLOSING FUND BALANCE	2,302	2,546	3,257

Source: Office of State Comptroller.

(1) The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund.

(2) 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 are satisfied.

(3) Excludes sales tax in excess of LGAC Debt Service.

CASH FINANCIAL PLAN
STATE FUNDS (1)
2003-2004
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance (2)	815	1,230	(558)	158	1,645
Receipts:					
Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,917	10,372	2,162	811	19,262
Federal grants	654	0	0	0	654
Total receipts	34,505	14,814	3,918	8,933	62,170
Disbursements:					
Grants to local governments	29,246	10,399	290	0	39,935
State operations	7,093	4,497	0	9	11,599
General State charges	3,247	424	0	0	3,671
Debt service	0	0	0	3,351	3,351
Capital projects	0	3	2,773	0	2,776
Total disbursements	39,586	15,323	3,063	3,360	61,332
Other financing sources (uses):					
Transfers from other funds	7,822	994	177	4,794	13,787
Transfers to other funds	(2,479)	(12)	(949)	(10,350)	(13,790)
Bond and note proceeds	0	0	139	0	139
Net other financing sources (uses)	5,343	982	(633)	(5,556)	136
Change in fund balance	262	473	222	17	974
Closing fund balance	1,077	1,703	(336)	175	2,619

Source: NYS DOB

(1) DOB calculation of State Funds excludes activity in certain miscellaneous special revenue funds that are financed primarily with Federal funds. The activity in these funds is reflected in the All Governmental Funds Financial Plan.

(2) The Special Revenue Funds opening fund balance has been increased by $54 million to reflect the State Comptroller's reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB 34.

CASH FINANCIAL PLAN
STATE FUNDS (1)
2004-2005
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,077	1,703	(336)	174	2,618
Receipts:					
Taxes	32,403	4,859	1,862	9,371	48,495
Miscellaneous receipts	2,217	10,972	1,753	768	15,710
Federal grants	9	1	0	0	10
Total receipts	34,629	15,832	3,615	10,139	64,215
Disbursements:					
Grants to local governments	29,493	11,131	340	0	40,964
State operations	7,565	4,917	0	10	12,492
General State charges	3,653	524	0	0	4,177
Debt service	0	0	0	3,789	3,789
Capital projects	0	11	2,538	0	2,549
Total disbursements	40,711	16,583	2,878	3,799	63,971
Other financing sources (uses):					
Transfers from other funds	9,131	1,221	217	5,134	15,703
Transfers to other funds	(2,908)	(167)	(1,002)	(11,464)	(15,541)
Bond and note proceeds	0	0	178	0	178
Net other financing sources (uses)	6,223	1,054	(607)	(6,330)	340
Change in fund balance	141	303	130	10	584
Closing fund balance	1,218	2,006	(206)	184	3,202

Source: NYS DOB

(1) DOB calculation of State Funds excludes activity in certain miscellaneous special revenue funds that are financed primarily with Federal funds. The activity in these funds is reflected in the All Governmental Funds Financial Plan.

CASH FINANCIAL PLAN
STATE FUNDS
2005-2006
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,546	2,006	(206)	184	4,530
Receipts:					
Taxes	35,304	6,057	1,941	10,341	53,643
Miscellaneous receipts	2,018	13,596	1,713	745	18,072
Federal grants	11	2	0	0	13
Total receipts	37,333	19,655	3,654	11,086	71,728
Disbursements:					
Grants to local governments	31,287	13,403	281	0	44,971
State operations	8,160	5,126	0	58	13,344
General State charges	3,975	546	0	0	4,521
Debt service	0	0	0	3,701	3,701
Capital projects	0	41	3,145	0	3,186
Total disbursements	43,422	19,116	3,426	3,759	69,723
Other financing sources (uses):					
Transfers from other funds	9,873	1,454	279	5,168	16,774
Transfers to other funds	(3,073)	(252)	(866)	(12,458)	(16,649)
Bond and note proceeds	0	0	159	0	159
Net other financing sources (uses)	6,800	1,202	(428)	(7,290)	284
Change in fund balance	711	1,741	(200)	37	2,289
Closing fund balance	3,257	3,747	(406)	221	6,819

Source: NYS DOB

DOB calculation of State funds excludes activity in certain miscellaneous special revenue funds that are financed primarily with Federal funds. The activity in these funds is reflected in the All Governmental Funds Financial Plan.

The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund beginning in 2005-06 pursuant to Section 70 of the State Finance Law. This change in presentation has no impact on net Financial Plan results.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2003-2004
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance (1)	815	1,039	(790)	158	1,222
Receipts:					
Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,917	10,517	2,168	811	19,413
Federal grants	654	35,121	1,548	0	37,323
Total receipts	34,505	50,080	5,472	8,933	98,990
Disbursements:					
Grants to local governments	29,246	41,368	781	0	71,395
State operations	7,093	7,866	0	9	14,968
General State charges	3,247	601	0	0	3,848
Debt service	0	0	0	3,351	3,351
Capital projects	0	9	3,755	0	3,764
Total disbursements	39,586	49,844	4,536	3,360	97,326
Other financing sources (uses):					
Transfers from other funds	7,822	3,447	254	4,794	16,317
Transfers to other funds	(2,479)	(2,539)	(1,028)	(10,350)	(16,396)
Bond and note proceeds	0	0	139	0	139
Net other financing sources (uses)	5,343	908	(635)	(5,556)	60
Change in fund balance	262	1,144	301	17	1,724
Closing fund balance	1,077	2,183	(489)	175	2,946

Source: NYS OSC (reflecting amounts published in the Cash Basis Report for 2003-04)

(1) The Special Revenue Funds opening fund balance has been increased by $54 million to reflect the State Comptroller's reclassification of the Expendable and Non-expendable Trust Funds from the Fiduciary fund type to the Special Revenue fund type pursuant to GASB 34.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2004-2005
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,077	2,183	(489)	175	2,946
Receipts:					
Taxes	32,403	4,859	1,862	9,371	48,495
Miscellaneous receipts	2,217	11,116	1,759	768	15,860
Federal grants	9	34,491	1,721	0	36,221
Total receipts	34,629	50,466	5,342	10,139	100,576
Disbursements:					
Grants to local governments	29,493	42,644	852	0	72,989
State operations	7,565	8,095	0	10	15,670
General State charges	3,653	712	0	0	4,365
Debt service	0	0	0	3,789	3,789
Capital projects	0	11	3,844	0	3,855
Total disbursements	40,711	51,462	4,696	3,799	100,668
Other financing sources (uses):					
Transfers from other funds	9,131	3,613	217	5,134	18,095
Transfers to other funds	(2,908)	(2,796)	(1,006)	(11,464)	(18,174)
Bond and note proceeds	0	0	178	0	178
Net other financing sources (uses)	6,223	817	(611)	(6,330)	99
Change in fund balance	141	(179)	35	10	7
Closing fund balance	1,218	2,004	(454)	185	2,953

Source: NYS OSC (reflecting amounts published in the Cash Basis Report).

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2005-2006
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,546	2,005	(454)	184	4,281
Receipts:					
Taxes	35,304	6,057	1,941	10,341	53,643
Miscellaneous receipts	2,018	13,767	1,714	745	18,244
Federal grants	11	33,363	1,766	0	35,140
Total receipts	37,333	53,187	5,421	11,086	107,027
Disbursements:					
Grants to local governments	31,287	43,010	739	0	75,036
State operations	8,160	8,217	0	58	16,435
General State charges	3,975	760	0	0	4,735
Debt service	0	0	0	3,701	3,701
Capital projects	0	41	4,393	0	4,434
Total disbursements	43,422	52,028	5,132	3,759	104,341
Other financing sources (uses):					
Transfers from other funds	9,873	3,856	279	5,168	19,176
Transfers to other funds	(3,073)	(2,826)	(877)	(12,458)	(19,234)
Bond and note proceeds	0	0	159	0	159
Net other financing sources (uses)	6,800	1,030	(439)	(7,290)	101
Change in fund balance	711	2,189	(150)	37	2,787
Closing fund balance	3,257	4,194	(604)	221	7,068

Source: NYS OSC (reflecting amounts published in the cash basis report).

The opening balances and personal income tax receipts have been adjusted to reflect the inclusion of the Personal Income Tax Refund Reserve in the General Fund beginning in 2005-06 pursuant to Section 70 of the State Finance Law. This change in presentation has no impact on net Financial Plan results.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a financial overview, the Basic Financial Statements, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS dated June 12, 2006 entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Comprehensive Annual Financial Reports for prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the OSC website at www.osc.state.ny.us. 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, 2005	827	833	361	89	2,110	546
March 31, 2004	3,039	(578)	173	603	3,237	(281)
March 31, 2003	(4,221)	(231)	(243)	391	(4,304)	(3,320)

Beginning with the fiscal year ended March 31, 2003, statements have been prepared in accordance with GASB 34. GASB 34 has significantly affected the accounting and financial reporting for all state and local governments. The new financial reporting model redefined the financial reporting model by changing its focus to major funds, rather than fund types, requiring a new section called management discussion and analysis (the "MD&A"), and containing new government-wide financial statements which includes all revenues and all costs of providing services each year. The new Basic Financial Statements and the MD&A are issued in place of the general purpose financial statements. The new statements also report on all current assets and liabilities as well as long-term assets and liabilities, such as capital assets, including infrastructure (e.g., roads and bridges).

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2005	41,190	2,645	43,835
March 31, 2004	39,086	2,088	41,174
March 31, 2003	42,396	2,500	44,896

Section 1: Subsection B

“Debt and Other Financing Activities”

Debt and Other Financing Activities

Section 22-c of the State Finance Law requires the Governor to submit the five-year Capital Program and Financing Plan (the Plan) with the Executive Budget and to submit an update to the Plan (the "Enacted Plan") by the later of July 30 or 90 days after the enactment of the State Budget. A copy of the Executive Budget and the Enacted Budget Capital Program and Financing Plans can be obtained, when available, by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or at www.budget.state.ny.us.

Categories of State Debt and Other Financings

For purposes of analyzing the financial condition of the State, debt may be classified as State-supported debt or the broader measure of State-related debt. *State-related debt* consists of State-supported debt, where the State, subject to an appropriation, is directly responsible for paying debt service, as well as State-guaranteed debt (to which the full faith and credit of the State has been pledged), moral obligation financings and certain contingent-contractual obligation financings, where debt service is expected to be paid from other sources and State appropriations are contingent in that they may be made and used only under certain circumstances (see "State-related debt outstanding"). *State-supported debt* 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 (see "State-supported debt").

The State has never defaulted on any of its general obligation indebtedness or its obligations under lease-purchase or contractual obligation financing arrangements and has never been called upon to make any direct payments pursuant to its guarantees.

State-Related Debt Outstanding

The category of State-related debt includes the State-supported debt, contingent contractual-obligation financings, moral obligation financings, State-guaranteed debt, and certain other debt (MBBA Prior Year School Aid claims).

Outstanding State-Related Debt (1)
(Millions of Dollars)

	As of 3/31/04	As of 3/31/05	As of 3/31/06
State-Supported Debt			
General Obligation	3,804	3,652	3,470
Local Government Assistance Corporation	4,569	4,449	4,317
Other Lease-Purchase and Contractual-Obligation Financing Arrangements	28,605	28,138	27,067
State Personal Income Tax Revenue Bond Financing	3,336	4,461	6,323
Total State-Supported Debt	40,314	40,699	41,177
Contingent Contractual-Obligation Financing *(2)*			
DASNY/MCFFA - Secured Hospital Program	941	871	837
Tobacco Settlement Financing Corporation	4,551	4,495	4,278
Total Contingent Contractual-Obligation Financing	5,492	5,366	5,115
Moral Obligation Financing			
Housing Finance Agency (3)	345	96	58
MCFFA-Hospitals and Nursing Homes	32	16	9
Total Moral Obligation Financing	377	112	67
State-Guaranteed Debt			
Job Development Authority	79	64	63
Other State Financings			
MBBA Prior Year School Aid Claims	510	507	504
TOTAL STATE-RELATED DEBT	46,772	46,748	46,926

Source: Data provided by the Office of the State Comptroller for 3/31/04 and 3/31/05 and NYS Division of the Budget for 3/31/06. Presentation of data supplied by DOB.
(1) Amounts outstanding reflect original par amounts or original net proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.
(2) Includes bonds issued for the Secured Hospital Program and bonds issued by the Tobacco Settlement Financing Corporation, for which the State's contingent obligation, subject to annual appropriation, is to provide funds for debt service in the event there is a shortfall of revnues from other specified sources.
(3) Includes bonds issued for Co-Op City which had outstanding debt as follows: 3/31/04 $193 million, 3/31/05 and 3/31/06 $0.

State-Supported Debt Outstanding

State-supported debt 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.

General Obligation Financings

Under the State Constitution, the State may not, with limited exceptions for emergencies, undertake a long-term general obligation borrowing (i.e. borrowing for more than one year) unless the borrowing is authorized in a specific amount for a single work or purpose by the Legislature and approved by the voters. 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 of 2000 (Debt Reform Act) imposed statutory limitations on new State-supported debt issued on and after April 1, 2000. The State Constitution provides that general obligation bonds 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. Regardless, the Debt Reform Act limits the maximum term of State-supported bonds, including general obligation bonds, to thirty years (see “Limitations on State-supported Debt – Debt Reform Act of 2000” below).

Under the State Constitution, the State may undertake short-term borrowings without voter approval (i) in anticipation of the receipt of taxes and revenues, by issuing tax and revenue anticipation notes (TRANs), and (ii) in anticipation of the receipt of proceeds from the sale of duly authorized but unissued general obligation bonds, by issuing bond anticipation notes (BANs). 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 TRANs has been limited due to the enactment of the fiscal reform program which created LGAC (see "Local Government Assistance Corporation" below). BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to voter 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 utilized the BANs authorization to conduct a commercial paper program to fund disbursements eligible for general obligation bond financing. The State does not anticipate issuing BANs during the 2006-07 fiscal year.

General Obligation Bonds Outstanding

General obligation debt is currently authorized for transportation, environment and housing purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, aviation, mass transportation, rail, 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. The amount of general obligation bonds issued in the 2005-06 fiscal year (excluding refunding bonds) was $159 million, and as of March 31, 2006, the total amount of general obligation debt outstanding was $3.5 billion. The following table sets forth information regarding the levels of authorized, unissued and outstanding State general obligation debt by purpose as of March 31, 2006. The Enacted Capital Plan projects that approximately $236 million in general obligation bonds will be issued in 2006-07.

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State General Obligation Debt
As of March 31, 2006
(millions of dollars) (1)

Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding
Transportation Bonds:			
Transportation Capital Facilities (1967)			
Highways	1,250	0	0
Mass Transportation	1,000	0	64
Aviation	250	0	43
Rail Preservation (1974)	250	0	35
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	0	0
Rapid Transit and Rail Freight	400	1	37
Rebuild New York Through Transportation Infrastructure Renewal (1983)			
Highway Related Projects	1,064	24	8
Rapid Transit, Rail and Aviation Projects	137	0	40
Ports, Canals, and Waterways	49	0	1
Accelerated Capacity and Transportation Improvements of the Nineties (1988)	3,000	34	916
Rebuild & Renew New York Transportation Bonds (2005)			
Highway Facilities	1,450	1,443	7
Mass Transit - Metropolitan Transportation Authority	1,450	1,410	40
Total Transportation Bonds	10,400	2,912	1,191
Environmental Bonds:			
Park and Recreation Land Acquisition (1960)	100	1	0
Pure Waters (1965)	1,000	29	131
Outdoor Recreation Development (1966)	200	0	0
Environmental Quality (1972)			
Water	650	7	176
Air	150	9	36
Land and Wetlands	350	12	74
Environmental Quality (1986)			
Solid Waste Management	1,200	99	684
Land and Forests	250	4	96
Clean Water/Clean Air (1996)			
Safe Drinking Water	355	0	186
Clean Water	790	274	461
Solid Waste	175	16	127
Environmental Restoration	200	164	28
Air Quality	230	38	127
Total Environmental Bonds	5,650	653	2,126
Housing Bonds:			
Low-Income Housing (through 1958)	960	8	93
Middle-Income Housing (through 1958)	150	1	60
Urban Renewal (1958)	25	2	0
Total Housing Bonds	1,135	11	153
Education Bonds:			
Higher Education Facilities (1957)	250	0	0
TOTAL GENERAL OBLIGATION DEBT	17,435	3,576	3,470

Source: Office of the State Comptroller

(1) Amounts have been rounded to the nearest million.

State-Supported Lease-Purchase and Contractual-Obligation Financings

The State utilizes certain long-term financing mechanisms, lease-purchase and contractual-obligation financings which involve obligations of public authorities or municipalities where debt service is payable by the State, but which are not general obligations of the State. Under these financing arrangements, certain public authorities and municipalities have issued obligations to finance certain payments to local governments (see "Local Government Assistance Corporation" below), various capital programs, including those which finance the State's highway and bridge program, SUNY and CUNY educational facilities, health and mental hygiene facilities, prison construction and rehabilitation, economic development projects, State buildings and housing programs, and equipment acquisitions, and expect to meet their debt service requirements through the receipt of rental or other contractual payments made by 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 (e.g., State personal income taxes, motor vehicle and motor fuel related-taxes, dormitory facility rentals, and patient charges). 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 generally expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

The State expects to continue to use lease-purchase and contractual-obligation financing arrangements to finance its capital programs, and expects to finance many of these capital programs with State PIT Revenue Bonds (see "State Personal Income Tax Revenue Bond Financing" below). The Enacted Capital Plan projects that $4.8 billion of State PIT Revenue Bonds, $92 million of SUNY Dormitory Facilities Revenue Bonds, $312 million of Mental Health Facilities Improvement Revenue Bonds and $21 million of DOH Revenue Bonds will be issued in 2006-07. The Enacted Capital Plan also reflects the issuance of $768 million of Dedicated Highway and Bridge Trust Fund Bonds.

Some of the major capital programs financed by lease-purchase and contractual-obligation agreements are highlighted below.

Transportation. The State DOT is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes 40,000 State highway lane miles and 7,500 State bridges. The Department also oversees and funds programs for rail, port, transit and aviation projects and programs that help defray local capital expenses associated with road and bridge projects.

The 2005-2010 Transportation Capital Plan continues to reflect a five-year DOT capital plan and a five-year MTA capital plan of $17.9 billion each. The Transportation Capital Plan includes the entire DOT plan, but only reflects the portion of the MTA capital plan that is financed by State-supported bonds. The balance of the MTA capital plan is financed by a combination of other State, City and MTA resources (see below). To partially fund the new DOT and MTA plans, the voters passed a $2.9 billion Rebuild and Renew New York Transportation General Obligation Bond Act in November 2005. Proceeds from the Bond Act are divided equally between the DOT and the MTA capital programs ($1.45 billion for each program). Additional resources still need to be identified in the outyears of the plan to support the DOT and MTA capital plans.

DOT's programs are financed by a combination of Federal grants, pay-as-you-go capital and bond proceeds supported by the Dedicated Highway and Bridge Trust Fund, and revenues from the Dedicated Mass Transportation Trust Fund. Legislation has been periodically adopted to increase the deposit of revenues into the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund to meet program needs. In addition, general obligation bond acts have been used to support capital transportation spending.

The State has supported the capital plans of the MTA in part by entering into service contracts relating to certain State-supported bonds issued by the MTA. Legislation adopted in 1992 and 1993 also authorized payments, subject to appropriation, of a portion of the petroleum business tax from the State's Dedicated Mass Transportation Trust Fund to the MTA and authorized it to be used as a source of payment for non-State-supported bonds to be sold by the MTA to support its capital program. Legislation adopted in 2000 provided for increases in amounts dedicated to the MTA through the Dedicated Mass Transportation Trust Fund by increasing the portion of the petroleum business tax and other transportation-related taxes and fees that would flow to that Fund between 2000-01 and 2004-05. In 2002, the MTA implemented an overall debt restructuring program that included the State-supported service contract bonds and the non-State-supported Dedicated Mass Transportation Trust Fund bonds. The restructuring simplified and restructured MTA credits, modernized resolutions and restructured existing debt to create new capital capacity and better match the bond maturities with the useful lives of the projects financed. See the section entitled "Authorities and Localities" for additional information about MTA.

Education. The State finances the physical infrastructure of SUNY and CUNY and their respective community colleges and SED through direct State capital spending and through financing arrangements with the Dormitory Authority of the State of New York (DASNY), paying all capital costs of the senior colleges and sharing equally with local governments for the community colleges, except that SUNY dormitories are financed through dormitory fees. The Enacted Capital Plan also includes language amendments to the Higher Education Capital Matching Grants Program which will streamline the financing of capital projects at private colleges. Also included in the Financial Plan is $2.6 billion in new bond issuances to support school construction projects for the Expanding our Children’s Education and Learning (EXCEL) program.

The 34 SUNY senior colleges and 30 SUNY community college campuses include approximately 2,700 buildings, including classrooms, dormitories, libraries, athletic and student facilities and other buildings. Nearly 85 percent of these structures exceed 20 years of age. Together with the 30 SUNY community colleges, the SUNY system serves approximately 413,000 students. The CUNY system is comprised of 11 senior colleges and 6 community colleges that serve more than 223,000 students.

Mental Hygiene/Health. The State provides care for its citizens with mental illness, mental retardation and developmental disabilities, and for those with chemical dependencies, through the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS). Capital investments for these programs are primarily supported by patient revenues through financing arrangements with DASNY. Historically, this care has been provided at large State institutions. Beginning in the 1980s, the State adopted policies to provide institutional care to those most in need and to expand care in community residences.

OMH's capital program supports an institutional physical plant consisting of 22 campuses with over 1,000 buildings as well as a State and non-profit operated community network of more than 28,000 beds. The overall policy direction of this program has limited institutional capital projects to those that are necessary to ensure the health and safety of clients and staff, retain program accreditation, and maintain the condition of existing facilities. In addition, the program supports the preservation of existing State and community beds and the development of new non-profit operated community beds.

OMRDD's capital program supports a State institutional infrastructure comprising 14 service districts with approximately 350 buildings, and a State- and non-profit operated community network of over 33,000 beds. The program continues the recent shift in emphasis from the development of new facilities (primarily in the community) to the improvement and maintenance of existing State and non-profit infrastructure.

As the need for institutional beds has declined over recent years, both OMH and OMRDD have consolidated, reconfigured or closed many of their campuses, permitting the planned development of alternate uses for the surplus facilities.

Various capital programs for DOH facilities have also been financed by DASNY using patient revenues and contractual-obligation financing arrangements.

Public Protection. The State prison system houses approximately 63,100 inmates in 70 facilities with 3,800 buildings. With the completion of the Five Points Correctional Facility in 2000 marking the end of the most recent capacity expansion effort, the capital program has shifted its focus to critical physical plant maintenance and rehabilitation projects.

Equipment Acquisitions. Subject to legislative authorization, the State may also participate in the issuance of certificates of participation (COPs) in a pool of leases entered into by the State's OGS on behalf of several State departments and agencies to acquire equipment, or in certain cases, real property, to facilitate the delivery of services that achieve the mission of agencies. Legislation enacted in 1986 established restrictions upon the issuance of COPs and centralized State control of this equipment acquisition program. COPs represent the State's contractual obligation, subject to annual appropriation by the Legislature and availability of funds, to make installment or lease-purchase payments for the State's acquisition of such equipment or real property. The State has not issued COPs since 2001 and expects that State PIT Revenue Bonds will be used to finance the acquisition of equipment under this program in 2006-07.

Other Programs. The State also uses lease-purchase and contractual-obligation financing arrangements for the institutional facilities of OCFS (formerly known as the Division for Youth), the State's housing programs, and various environmental, economic development, and State building programs.

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 seasonal borrowing. The legislation also dedicated revenues equal to the first 1 percent of the State sales and use tax to pay debt service on these bonds. As of June 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, which are to be amortized over no more than 30 years, was expected to eliminate the need for continued short-term seasonal borrowing.

The legislation also eliminated annual seasonal borrowing of the State 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 provided 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 TRANs seasonal borrowing in the fifth year). This 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 notes.

The impact of the LGAC reforms, as well as other changes in revenue and spending patterns, is that the State has been able to meet its cash flow needs throughout the fiscal year without relying on short-term seasonal borrowings.

Legislation enacted in 2003 currently 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 possible bonds issued by NYC or its assignee, that act or omission would not constitute an Event of Default with respect to LGAC bonds. The 2006-07 Enacted Budget includes a local assistance appropriation of $170 million from the Local Government Assistance Tax Fund to New York City.

State Personal Income Tax Revenue Bond Financing

Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the Urban Development Corporation (UDC), Housing Finance Agency (HFA), the New York State Thruway Authority (Thruway Authority), DASNY, and the New York State Environmental Facilities Corporation (EFC) (collectively, the "Authorized Issuers").

The legislation provided that 25 percent of State PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the Revenue Bond Tax Fund (RBTF) for purposes of making debt service payments on these bonds, with excess amounts returned to the General Fund. In the event that (i) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds 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 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.

The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds. To date, State PIT Revenue Bonds have been issued to support programs related to five general purposes: Education, Economic Development and Housing, Environment, State Facilities and Equipment and Transportation. The Enacted Capital Plan anticipates that State PIT Revenue Bonds will be issued for a sixth general purpose – Health Care, to support the Health Care Efficiency and Affordability Law for New Yorkers (Heal NY) Capital Grant Program. State PIT Revenue Bonds are expected to continue to be the primary financing vehicle for a broad range of existing or new State-supported debt programs authorized to be secured by service contract or lease-purchase payments. The following table shows the amount of State PIT Revenue Bonds outstanding by general purpose. As of March 31, 2006, approximately $6.3 billion of State PIT Revenue Bonds were outstanding. Those outstanding State PIT Revenue Bonds are also included in the respective capital programs in the Outstanding State-related debt table shown below. The 2006-07 Enacted Budget projects that $4.8 billion of State PIT Revenue Bonds will be issued in 2006-07 (see "2006-07 State-supported Borrowing Plan" below).

Outstanding State Personal Income Tax Revenue Bonds
(millions of dollars)

	As of 3/31/04	As of 3/31/05	As of 3/31/06
State Personal Income Tax Revenue Bonds			
Education	702	784	1,842
Economic Development & Housing	1,037	1,299	1,520
Environment	156	317	460
State Facilities & Equipment	864	1,159	1,400
Transportation	577	902	1,101
Total State Personal Income Tax Revenue Bonds	3,336	4,461	6,323

Source: NYS Division of the Budget

State-Related Debt

State Bond Caps and Debt Outstanding by Program

The following table shows the total amount of State-related debt outstanding as of March 31, 2006 by program and by issuer. Also included in the table are the amount of bonds authorized and bonds authorized but unissued. The bond authorization amounts and related unissued amounts have been updated through May 12, 2006 to include all legislative actions taken on the 2006-07 Enacted Budget. The table includes bond information for general obligation, LGAC, lease-purchase and contractual-obligation bonds. The information provided in the table for lease-purchase and contractual-obligation debt includes outstanding State PIT Revenue Bonds that have been issued to finance many of the capital programs included therein (see "State Personal Income Tax Revenue Bond Financing"). Debt authorizations for capital programs are either approved or enacted all at one time and are expected to be fully issued over time, or are 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.

Outstanding State-Related Debt (1)
As of March 31, 2006
(millions of dollars)

	Authorized As of 5/12/06	Authorized but Unissued As of 5/12/06 (3)	Outstanding As of 3/31/06 (4)
GENERAL OBLIGATION (2)	17,435	3,576	3,470
LOCAL GOVERNMENT ASSISTANCE CORP.	4,700	0	4,317
OTHER LEASE-PURCHASE AND CONTRACTUAL OBLIGATION FINANCING ARRANGEMENTS			
Transportation:			
MTA:			
Service Contract Bonds	Note (5)	Note (5)	2,311
Thruway Authority:			
Consolidated Highway Improvement Program	5,710	1,809	3,052
Dedicated Highway & Bridge Trust	16,500	8,289	5,555
DASNY:			
Albany County Airport	40	1	32
Education:			
DASNY:			
SUNY Educational Facilities (6)	7,073	3,419	4,663
SUNY Dormitory Facilities (7)	800	449	688
SUNY Upstate Community Colleges	301	182	529
CUNY Educational Facilities (8)	5,632	2,225	3,296
State Education Department Facilities (9)	0	0	65
Library for the Blind	16	0	15
SUNY Athletic Facilities	22	0	23
RESCUE	195	0	152
University Facilities (Jobs 2000)	48	12	27
School District Capital Outlay Grants	140	40	67
Judicial Training Institute	16	0	13
Transportation Transition Grants	80	12	55
Public Broadcasting Facilities	15	10	5
Higher Education Capital Matching Grants	150	150	0
Excel School Construction	2,600	2,600	0
Library Facilities	14	14	0
Health/Mental Hygiene:			
DASNY/MCFFA:			
Department of Health Facilities	495	24	396
Mental Health Facilities (10)	5,857	1,056	3,677
HEAL NY Capital Program	750	750	0
Public Protection			
UDC\ESDC:			
Prison Facilities	5,000	332	4,107
Homeland Security	25	1	21
Youth Facilities	329	81	181
E-911 Program	100	65	32
Environment:			
EFC:			
Environmental Infrastructure Projects (11)	457	102	324
Hazardous Waste Remediation	1,200	1,052	138
Riverbank State Park	78	18	54
Water Pollution Control	482	42	154
Pilgrim Sewage Treatment	0	0	7
State Park Infrastructure	30	0	8
Fuel Tanks	23	0	3
Pipeline for Jobs (Jobs 2000)	29	3	22
ERDA:			
Western New York Nuclear Service Center	104	0	17
UDC\ESDC:			
Long Island Pine Barrens	15	0	11
State Building/Equipment:			
UDC\ESDC:			
Empire State Plaza	133	10	36
State Capital Projects (1995 Refunding)	200	0	204
State Facilities	Note (12)	Note (12)	272
Equipment Acquisition (13)	273	118	179

(Continued on next page)

Outstanding State-Related Debt (1)
As of March 31, 2006
(millions of dollars)

	Authorized As of 5/12/06	Authorized but Unissued As of 5/12/06 (3)	Outstanding As of 3/31/06 (4)
Housing:			
HFA:			
Capital Programs	1,891	163	1,398
Economic Development:			
Triborough Bridge and Tunnel Authority:			
Convention Center Project (JAVITS/Prior Issue)	375	0	214
UDC\ESDC\DASNY:			
Community Enhancement Facilities (CEFAP)	425	109 (14)	108
University Technology Centers (incl. HEAT)	248	13	128
Onondaga Convention Center	40	0	35
Sports Facilities	145	0	120
Natural Resources Preservation	25	0	5
Child Care Facilities	30	1	26
Bio-Tech Facilities	10	10	0
Strategic Investment Program	225	71	59
Regional Economic Development (Fund 002) (15)	1,200	341	720
NYS Economic Development (2004) (16)	350	200	147
Regional Economic Development (CCAP) (2004) (17)	250	250	0
High Technology and Development (2005)	250	250	0
Regional Economic Development (SPUR)	90	56	33
Buffalo Inner Harbor	50	50	0
Jobs Now	14	1	6
Economic Development 2006 (18)	996	996	0
Convention Center Project (JAVITS/New Issues '06)	350	350	0
Queens Stadium	75	75	0
Bronx Stadium	75	75	0
NYS Economic Development (Stadium '06)	75	75	0
Total Other Lease Purchase and Contractual Obligation Debt			**33,390**
TOTAL STATE-SUPPORTED DEBT			**41,177**
Other State Financings:			
Tobacco Settlement Financing Corporation Bonds			**4,278**
MBBA Special Purpose School Aid Bonds			**504**
Other (19)			**967**
TOTAL STATE-RELATED DEBT			**46,926**

Source: NYS Division of the Budget

(1) Includes only authorized programs that are active at March 31, 2006 or have outstanding program balances or both.

(2) Includes the authorized $2.9 billion Rebuild and Renew New York Transportation General Obligation Bond Act, approved by the voters in November 2005.

(3) Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (1) net bond proceeds available to fund program, or (2) par amount of bonds issued.

(4) Amounts outstanding reflect original par amounts or original net proceeds in the case of capital appreciation bonds.

(5) Authorization is limited to $165 million in annual debt service maturing no later than July 1, 2031.

(6) Authorization also includes any amount necessary to refund outstanding Housing Finance Agency (HFA) State University Construction Bonds, all of w hich have been refunded.

(7) Authorization applies to bonds issued after March 31, 2002, prior to that date there w as no limit.

(8) The amount outstanding includes the State's portion of CUNY Community Colleges debt service. New York City pays 50 percent of the debt service on most on CUNY CC bonds. The total amount authorized for CUNY Senior Colleges w as unlimited for resolutions adopted prior to 7/1/85 and limited to $5.632 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

(9) Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

(10) Authorization also includes any amount necessary to refund outstanding HFA Mental Hygiene bonds, all of w hich have been refunded.

(11) Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, Office of Parks and Recreation and Historic Preservation.

(12) Includes bonds issued for the OSC Buildings, East Parking Garage, Ten Eyck Building, OGS Capital Projects, Elk Street Parking Garage, the Alfred E. Smith Office Building, Judiciary Court buildings, the Division of Military and Naval Affairs and New York State Police Troop G. There is no limit for the amount of bonds that may be issued for the OSC building, East Parking Garage, and the Ten Eyck office building.

(13)Authorized amounts includes Certificates of Participation, w hich have been issued as bonds after March 31, 2003.

(14) Amounts authorized but unissued are reduced by $28.2 million, reflecting the use of $28.2 in Debt Reduction Reserve Fund (DRRF) moneys to pay-as-you-go finance of a portion of the total $425 million CEFAP program.

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

(16) Includes bonds issued for the Empire Opportunity Fund, RESTORE and CCAP (Law s of 2004).

(17) Includes bonds to be issued for economic development projects outside cities of 1 million or more in population (Law s of 2004).

(18) Includes bonds to be issued for economic development and environmental projects from the Law s of 2006.

(19) Includes bonds issued for Secured Hospital Program, Housing Finance Agency, MCFFA-Hospitals and Nursing Homes and the Job Development Authority.

Contingent Contractual-Obligation Financing

The State may also enter into statutorily authorized contingent contractual-obligation financings under which the State may enter into service contracts obligating it to pay debt service on bonds, subject to annual appropriation, in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available, to pay the debt service on the bonds. The State has never been required to make any payments, and does not expect to make payments, under this financing arrangement in the 2006-07 fiscal year.

Secured Hospital Program

Pursuant to legislation enacted in 1985, the State entered into service contracts establishing a contingent contractual-obligation under financings related to the Secured Hospital Program for the purpose of enabling certain financially distressed not-for-profit hospitals to gain access to the capital markets. The State service contracts obligate the State to pay debt service, subject to annual appropriations, on bonds issued by the New York State Medical Care Facilities Finance Agency (MCFFA) and by DASNY (all now included as debt of DASNY), in the event there are shortfalls of 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. As of March 31, 2006, there were ten secured hospital borrowers and a total of $837.1 million in bonds outstanding with annual debt service payments of $86.6 million due during State fiscal year 2006-07. The State has never been required to make any payments pursuant to this financing arrangement.

The statutory authorization to issue bonds under the Secured Hospital Program expired on March 1, 1998. However, legislation enacted in 2002 allowed certain eligible secured hospital borrowers with outstanding secured hospital debt to refinance and extend the maturity of their debt. Under this authorization, two eligible borrowers, North General Hospital and Catskill Regional Medical Center, the successor to Community General Hospital of Sullivan County, refinanced its outstanding debt. As of March 31, 2006, there were $138.1 million in outstanding secured hospital bonds attributable to North General Hospital, with annual debt service payments of $11.8 million due during State fiscal year 2006-07 and $51.4 million in outstanding secured hospital bonds attributable to Catskill Regional Medical Center, with annual debt service payments of $5.1 million due during State fiscal year 2006-07. The legislative authorization for such refinancings expired on December 31, 2004.

In regard to St. Agnes Hospital, DASNY obtained a Judgment of Foreclosure and Sale against St. Agnes on October 22, 2004 and sold the property subject to DASNY's mortgage at a sale of foreclosure on December 14, 2004. The net proceeds of the foreclosure sale, along with reserve funds established for the bonds and other resources, were applied in February 15, 2005 to the redemption of all outstanding bonds. Thus, the State no longer has a contingent contractual obligation related to St. Agnes Hospital.

The State anticipates that the annual debt service payments due during the State's 2006-07 fiscal year on all outstanding Secured Hospital Program bonds will be paid pursuant to the loan agreements between the hospitals and DASNY or from other revenue sources, which may include the reserve funds for the bonds. Thus, the State does not anticipate being required to make any payments under the Secured Hospital Program during the 2006-07 fiscal year.

Tobacco Settlement Financing Corporation

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments to the Tobacco Settlement Financing Corporation (TSFC, a corporation created under the legislation that is a subsidiary of the Municipal Bond Bank Agency) 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 ensure that State contractual payments will not be required and that tobacco receipts and bond reserves are sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bonds 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 2003-04 ($3.8 billion) and 2004-05 ($400 million). As of March 31, 2006, approximately $4.278 billion in TSFC bonds were outstanding.

The bonds carry a final nominal maturity of 20 years and an expected final maturity of 13 years, based on optional redemptions. The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have adjusted payments downward or indicated that they plan on adjusting subsequent payments downward to states and territories, or otherwise have deposited or will deposit payments into a special disputed payments account awaiting determination of entitlement to adjustments.

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 by project revenues and 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. The State does not intend 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, 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 the 1986-87 fiscal year and no such requirements are anticipated during the 2006-07 fiscal year.

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 February of 2003, JDA issued $30 million of State Guaranteed Commercial Paper Notes of which $15 million is outstanding as of March 31, 2006. In April 2004, JDA issued approximately $42.4 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, 2006, JDA had approximately $48.3 million of bonds outstanding. It is anticipated that the audit report as of March 31, 2006 will indicate that JDA will have a positive fund (net worth) balance. The State does not anticipate that it will be called upon to make any payments pursuant to the State guarantee in the 2006-07 fiscal year.

The following table contains information on the amounts of State-related debt at the close of the three most recent fiscal years, including the levels of State-supported debt, contingent contractual-obligation financing, moral obligation financing, State-guaranteed debt, and State funded financings.

State-Related Debt Long-Term Trends

The following table provides an overview of State-related debt trends during the last ten years and an estimate for the current year. The table compares (1) the growth in State-related debt with the growth in personal income in the State and (2) the growth in State-related debt with the number of State residents. Total outstanding State-related debt increased from $37.5 billion at the end of the 1996-97 fiscal year to $46.9 billion at the end of the 2005-06 fiscal year, an average annual increase of 2.53 percent. During the first five years of this ten-year period, State-related debt outstanding increased by an annual average rate of 0.78 percent and over the remaining five years of the period the annual average growth in State-related debt outstanding has increased to 3.95 percent. During the ten-year period, annual personal income in the State rose from $531.0 billion to $779.9 billion, an average annual increase of 4.36 percent. Thus, State-related obligations grew at a slower rate than personal income. Expressed in other terms, the total amount of State-related debt outstanding declined from 7.06 percent to 6.04 percent of personal income for the same period. State-related debt is expected to increase slightly in 2006-07 to 6.19 percent of personal income.

State-Related Debt Compared with Personal Income and Population

As of March 31, 2006

Fiscal Year	NYS Personal Income ($billions)(1)	Total State Population ($millions)(1)	State-Related Debt Outstanding ($millions)(2)	State-Related Debt As % of Personal Income	State-Related 'Debt/Capita (In Dollars)
1996-97	530,990	18.6	37,478.0	7.1%	2,016
1997-98	553,543	18.7	36,999.0	6.7%	1,983
1998-99	590,406	18.8	37,740.0	6.4%	2,012
1999-2000	616,292	18.9	38,584.0	6.3%	2,043
2000-01	655,583	19.0	38,663.0	5.9%	2,037
2001-02	682,206	19.1	38,603.0	5.7%	2,023
2002-03	684,070	19.2	40,531.0	5.9%	2,116
2003-04	701,852	19.2	46,772.0	6.7%	2,434
2004-05	737,039	19.2	46,748.0	6.3%	2,431
2005-06	779,941	19.3	46,926.0	6.0%	2,437
2006-07 projected	825,922	19.3	50,683.0	6.1%	2,631

Source: NYS Division of the Budget. Debt outstanding data provided by the Office of the State Comptroller.

(1) For calendar year ending in State's fiscal year. Based on US Department of Commerce, Bureau of Economic Analysis (BEA) data through March, 2006. Personal income for 2005 estimated by the BEA and 2006 estimated by the Division of the Budget.

(2) Starting in 2003-04, debt outstanding includes the issuance of tobacco bonds, which are primarily secured by the assignment of future revenues under the 1998 Master Settlement Agreement with participating cigarette manufacturers, and secondarily secured by a State contingent-contractual obligation.

State-Related Debt Service Requirements

The table following presents the current and future debt service (principal and interest) requirements on State-Related debt outstanding as of March 31, 2006. The requirements of LGAC and other financing obligations of public authorities are the gross amounts due from the authorities to bondholders within the fiscal year when such authorities make the payments. The amounts shown do not reflect other associated costs or revenues anticipated to be available, such as interest earnings, capitalized interest or debt service reserve fund releases. Thus, the requirements shown are generally in excess of the amounts expected to be actually paid by the State during its fiscal year.

Debt Service Requirements on State-Related Debt
As of March 31, 2006

Fiscal Year	Total State-Related Debt Service (dollars in millions)		Total Governmental Funds Receipts (dollars in millions)	State-Related Debt Service as a % of Total Governmental Funds Receipts (includes DRRF)	State-Related Debt Service as a % of Total Governmental Funds Receipts (excludes DRRF)
1996-97	3,684		62,886	5.86%	5.86%
1997-98	3,737		66,246	5.64%	5.64%
1998-99	3,738		72,551	5.15%	5.15%
1999-2000	3,887		76,804	5.06%	5.06%
2000-01	4,368	(1)	83,527	5.23%	4.72%
2001-02	4,437	(2)	84,312	5.26%	4.67%
2002-03	3,358		88,274	3.80%	3.80%
2003-04	3,847		99,698	3.86%	3.86%
2004-05	4,412		101,381	4.35%	4.35%
2005-06	4,264		107,027	3.98%	3.98%
2006-07 projected	4,699		111,175	4.23%	4.23%

Source: NYS Division of the Budget

(1) Reflects the disbursement of $422 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease high-cost debt.

(2) Reflects the disbursement of $500 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease or provide for the payment of high-cost debt.

Estimated Debt Service Requirements on State-Related Debt (1)
As of March 31, 2006
(millions of dollars)

Fiscal Years Ending March 31	General Obligation	Local Government Assistance Corporation	State Personal Income Tax Financing Obligations	Other State-Supported Financing Obligations	Tobacco (2)	All Other State Related	Total
2007	497	321	672	2,597	438	154	4,679
2008	475	355	666	2,536	444	152	4,628
2009	441	367	584	2,404	503	152	4,451
2010	422	369	578	2,458	511	151	4,489
2011	389	369	548	2,359	517	151	4,333
2012 through 2016	1,389	1,847	2,357	12,358	2,689	702	21,342
2017 through 2021	547	1,890	1,734	9,057	499	484	14,211
2022 through 2026	205	671	1,354	4,621	0	254	7,105
2027 through 2031	97	0	895	2,170	0	21	3,183
2032 through 2036	31	0	499	250	0	0	780
Total	**4,493**	**6,189**	**9,887**	**40,810**	**5,601**	**2,221**	**69,201**

Source: NYS Division of the Budget

(1) Reflects debt issued as of March 31, 2006. Estimated debt service requirements are calculated based on sw ap rates in effect at March 31, 2006 for all bonds that w ere synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for w hich there are no related interest rate exchange agreements w ere calculated at rates ranging from 3.50 percent to 5.38 percent.

(2) Estimated debt service numbers are based on available information as of March 31, 2006. Subsequent to that date, certain monies expected to flow to the State under the Master Settlement Agreement w ere w itheld and placed in an escrow account. Pending the outcome of a resolution betw een participating manufactures and the states, the debt service numbers w ill be adjusted accordingly.

Debt Reduction Reserve Fund

The Debt Reduction Reserve Fund (DRRF) was created in 1998 to set aside resources that could be used to reduce State-supported indebtedness either through the use of DRRF as a pay-as-you-go financing source, reduce debt service costs, or defease outstanding debt. Since 1998-99, over $1.1 billion has been deposited to the DRRF and used to (i) pay cash for projects that would have otherwise been bond financed, (ii) defease existing high cost debt or (iii) provide resources to redeem existing high-cost State-supported debt. In 2006-07, the State plans to make additional deposits of $250 million to the DRRF to reduce the State's debt burden.

State-Supported Debt Long-Term Trends

The following discussion provides an overview of State-supported trends during the last ten years and an estimate for the current year. It compares: (1) the growth in State-supported debt service requirements with the growth in total governmental funds receipts; (2) the growth in State-supported debt with the growth in personal income in the State; and (3) the growth in State-supported debt with the number of State residents.

The following table compares the total amount of State-supported debt service with total governmental funds receipts. During the prior ten years, State-supported long-term debt service increased on an average annual basis by 3.0 percent to $3.7 billion in 2005-06, while adjusted Total Governmental Funds Receipts increased on an average annual basis by 6.1 percent. Thus, State-supported debt service grew at a slower rate than total receipts. During the first five years of this ten-year period, debt service increased by an annual average of 10.37 percent and over the remaining five years of the period debt service has decreased by an annual average of 2.45 percent. The relative growth in receipts and debt service resulted in a general trend of increases in the ratio of debt service to receipts from fiscal years 1996-97 to 2001-02. After a sharp reduction in 2002-03, when several management actions were implemented to reduce debt service costs, there has been a gradual increase in the ratio of debt service to receipts, except for 2005-06 which showed a slight decline due to significant revenue growth and a modest increase in debt service costs.

Debt Service Requirements on State-supported Debt
As of March 31, 2006

Fiscal Year	Total State-Supported Debt Service (dollars in millions)		Total Governmental Funds Receipts (dollars in millions)	State-Supported Debt Service as a % of Total Governmental Funds Receipts (includes DRRF)	State-Supported Debt Service as a % of Total Governmental Funds Receipts (excludes DRRF)
1996-97	2,827		62,886	4.50%	4.50%
1997-98	3,195		66,246	4.82%	4.82%
1998-99	3,387		72,551	4.67%	4.67%
1999-2000	3,672		76,804	4.78%	4.78%
2000-01	4,195	(1)	83,527	5.02%	4.65%
2001-02	4,262	(2)	84,312	5.05%	4.52%
2002-03	3,133		88,274	3.55%	3.55%
2003-04	3,403		99,698	3.41%	3.41%
2004-05	3,797		101,381	3.75%	3.75%
2005-06	3,704		107,027	3.46%	3.46%
2006-07 projected	4,107		111,175	3.69%	3.69%

Source: NYS Division of the Budget

(1) Reflects the disbursement of $422 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease high-cost debt.

(2) Reflects the disbursement of $500 million in Debt Reduction Reserve Fund (DRRF) moneys used to defease or provide for the payment of high-cost debt.

Included in the table above are principal and interest payments on general obligation bonds which were $487 million for the 2005-06 fiscal year, and are estimated to be $496 million for 2006-07. State payments for debt service on bonds issued and interest rate exchange agreements entered into by LGAC which were $316 million for the 2005-06 fiscal year and are estimated to be $352 million for 2006-07. State lease-purchase and contractual-obligation payments (including State PIT Revenue Bonds and State installment payments relating to COPs), classified as "Other Financing Obligations" were $2.9 billion in fiscal year 2005-06, and are estimated to be $3.3 billion for 2006-07.

The following table compares total State-supported debt outstanding to New York State personal income and population. State-supported debt increased from $33.1 billion at the end of the 1996-97 fiscal year to $41.2 billion at the end of the 2005-06 fiscal year, an average annual increase of 2.45 percent. During the first five years of this ten-year period, State-supported debt outstanding grew by an annual average of 2.77 percent and over the remaining five years of the period the annual growth in State supported debt outstanding has slowed to 2.19 percent. During the ten-year period, annual personal income in the State rose from $531.0 billion to $779.9

billion, an average annual increase of 4.36 percent. Thus, State-supported debt grew at a slower rate than personal income. Expressed in other terms, the total amount of State-supported debt outstanding declined from 6.24 percent of personal income in the 1996-97 fiscal year to 5.30 percent in the 2005-06 fiscal year. State-supported debt outstanding is expected to increase in 2006-07 to 5.52 percent of personal income. State-supported debt relative to the State's population has increased during the last ten years, primarily because population growth has been relatively flat.

State-Supported Debt Compared with Personal Income and Population
As of March 31, 2006

Fiscal Year	NYS Personal Income ($billions)(1)	Total State Population (millions)(1)	State-Supported Debt Outstanding ($millions)		State-Supported Debt As % of Personal Income	State-Supported Debt/Capita (In Dollars)
1996-97	530,990	18.6	33,130		6.2%	1,782
1997-98	553,543	18.7	34,247		6.2%	1,836
1998-99	590,406	18.8	35,842		6.1%	1,911
1999-2000	616,292	18.9	36,796		6.0%	1,949
2000-01	655,583	19.0	36,958		5.6%	1,948
2001-02	682,206	19.1	36,620	(2)	5.4%	1,919
2002-03	684,070	19.2	38,843	(2)	5.7%	2,028
2003-04	701,852	19.2	40,314		5.7%	2,098
2004-05	737,039	19.2	40,695		5.5%	2,117
2005-06	779,941	19.3	41,177		5.3%	2,139
2006-07 projected	825,922	19.3	45,240		5.5%	2,348

Source: NYS Division of the Budget
(1) For calendar year ending in State's fiscal year. Based on US Department of Commerce, Bureau of Economic Analysis (BEA) data through January, 2006.
(2) During fiscal year 2001-02, the State transferred $350 million to several State authorities for the purpose of providing for the payment of $355 million of State-supported debt. As of March 31, 2002 and 2003, a portion of these funds continued to be held in the form of cash and investments for this purpose. However, under the terms of the financing resolutions under which such bonds were issued, those bonds were still considered legally outstanding.

2006-07 State-Supported Borrowing Plan

Section 22-c of the State Finance Law requires the Governor to submit the five-year Capital Program and Financing Plan (the Plan) with the Executive Budget and to submit an update to the Plan (the Enacted Plan) by the later of July 30 or 90 days after the enactment of the State Budget. The proposed 2006-07 through 2010-11 Capital Program and Financing Plan was released with the Executive Budget on January 17, 2006 and updated to reflect the 30-Day Amendments on February 9, 2006. The Enacted Plan was released on May 26, 2006, and reflects final action on the Budget. A copy of the Enacted Plan can be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or at www.budget.state.ny.us.

The Enacted Plan reflects the expectation that State PIT Revenue Bonds will continue to be issued to finance certain new programs and programs previously authorized to be secured by service contract or lease-purchase payments. (See "State Personal Income Tax Revenue Bond Financing" above).

The State's borrowing plan projects new issuance of $236 million in general obligation Bonds in 2006-07 including $100 million of Rebuild and Renew New York Transportation Bonds which was approved by the voters in November 2005; $720 million in Dedicated Highway and Bridge Trust Fund Bonds issued by the Thruway Authority to finance capital projects for transportation; $312 million in Mental Health Facilities Improvement Revenue Bonds issued by DASNY to finance capital projects at mental health facilities; $92 million in SUNY Dormitory Facilities Revenue Bonds to finance capital projects related to student dormitories; $21 million in DOH Revenue Bonds to support a portion of the costs to construct a new veteran's home; and $4.77 billion in State PIT Revenue Bonds to finance various capital programs, as described below.

State PIT Revenue Bond borrowings include issuances by: (i) DASNY for school construction (EXCEL), university facilities (Jobs 2000), SUNY higher education facilities and community colleges, CUNY senior and community colleges, Higher Education Capital Matching Grants for private colleges, for health care grants under the Health Care Efficiency and Affordability Law for New Yorkers (Heal NY) Capital Grant Program, equipment upgrades at public broadcasting facilities, library facilities, and for local public safety answering point equipment and technology upgrades associated with wireless E-911 service; (ii) the Thruway Authority for CHIPs; (iii) UDC (doing business as the Empire State Development Corporation) for correctional and youth facilities, sports facilities, State facilities and equipment acquisitions; (iv) EFC for State Environmental Infrastructure Projects, including Water Pollution Control and Pipeline for Jobs (Jobs 2000) and Hazardous Waste Remediation; and (v) HFA for housing programs. State PIT Revenue Bonds for 2006-07 also include the Community Enhancement Facilities Assistance Program (CEFAP) for economic development purposes which may be issued by the Thruway Authority, DASNY, UDC and HFA; the Strategic Investment Program (SIP) for environmental, historic preservation, economic development, arts, and cultural purposes, which may be issued by DASNY, UDC and EFC; and Regional Economic Development Program, Higher Technology and Development Program, Economic Development Initiatives, and the Regional Economic Growth Program which includes EOF, Gen*NY*sis, CCAP, RESTORE, Multi-Modal Transportation Program and the Center of Excellence Program, which may be issued by DASNY and UDC and the Jacob Javits Center Expansion and Extension that will be issued by ESDC. For detailed information on the State's projected 2006-07 bond issuances, please refer to the State's Capital Program and Financing Plan Update that was released on May 26, 2006.

The projections of State borrowings for the 2006-07 fiscal year are subject to change as market conditions, interest rates and other factors vary throughout the fiscal year.

Limitations on State-Supported Debt

Debt Reform Act of 2000

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act, which is intended to improve the State's borrowing practices and applies to all new State-supported debt issued on and after April 1, 2000. The Debt Reform Act imposes phased-in caps on new debt outstanding and new debt service costs, limits the use of debt to capital works and purposes only, and establishes a maximum term of 30 years on such debt.

The cap on new State-supported debt outstanding began at 0.75 percent of personal income in 2000-01 and will gradually increase until it is fully phased-in at 4 percent of personal income in 2010-11. Similarly, the cap on new State-supported debt service costs began at 0.75 percent of total governmental funds receipts in 2000-01 and will gradually increase until it is fully phased in at 5 percent in 2013-14.

The Debt Reform Act requires that the limitations on the issuance of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the quarterly Financial Plan Update most proximate to such date. If the calculations for new State-supported debt outstanding and debt service costs are less than the State-supported debt outstanding and debt service costs permitted under the Debt Reform Act, new State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from contracting new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limitations. The prohibition on issuing new State-supported debt if the caps are met or exceeded provides a significant incentive to treat the debt caps as absolute limits that should not be reached, and therefore DOB intends to manage subsequent capital plans and issuance schedules under these limits.

Pursuant to the provisions of the Debt Reform Act, the most recent annual calculation of the limitations imposed by the Debt Reform Act was reported in the Financial Plan Update most proximate to October 31, 2005. On October 30, 2005, the State reported that it was in compliance with both debt caps, with debt issued after March 31, 2000 and outstanding at March 31, 2005 at 1.73 percent of personal income and debt service on such debt at 1.07 percent of total governmental receipts, compared to the caps of 2.32 percent for each. DOB projects that debt outstanding and debt service costs for 2006-07 and the entire five-year forecast period through 2010-11 will also be within the statutory caps.

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 statute limits the use of debt instruments which result in a net variable rate exposure (e.g., both variable rate debt and interest rate exchange agreements) to no more than 15 percent of total outstanding State-supported debt. It also limits the use of interest rate exchange agreements to a total notional amount of no more than 15 percent of total outstanding State-supported debt. As of March 31, 2006, State-supported debt in the amount of $41.2 billion was outstanding, resulting in a variable rate exposure cap and an interest rate exchange agreement cap of about $6.2 billion each. As discussed below, as of March 31, 2006, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements are less than the authorized totals of 15 percent of total outstanding State-supported debt, and are projected to be below the caps for the entire forecast period through 2010-11 (see "Variable Rate Obligations", later in this section, for further discussion on the cap).

Interest Rate Exchange Agreements

As of March 31, 2006 five issuers, DASNY, UDC, HFA, LGAC and the Thruway Authority have entered into a notional amount of $5.97 billion of interest rate exchange agreements that are subject to the interest rate exchange agreement cap, or 14.5 percent of total debt outstanding.

The interest rate exchange agreements outstanding at March 31, 2006 involve nine different counterparties. All of the interest rate exchange agreements were part of refunding transactions that resulted in fixed rates (i.e., synthetic fixed rate interest rate exchange agreements) that range between 2.86 percent and 3.66 percent – rates that were significantly lower than the fixed bond rates at the time the refunding bonds were issued. In these transactions, the State issued variable rate bonds and entered into swaps in which it receives a variable rate payment expected to approximate the costs of the variable rate bonds, and pays a fixed rate. As of March 31, 2006, the net mark-to-market value of all the outstanding swaps (the aggregate termination amount) was approximately $118 million – the total amount the State would receive from the collective authorized issuers for payments from the counterparties should all the swaps be terminated. The mark-to-market value of the outstanding interest rate exchange agreements fluctuates with interest rates and other market conditions. Generally, as interest rates rise from levels that existed in March 2006, it is expected that the counterparties would owe the State higher termination payments. The State plans to continue to monitor and manage counterparty risk on a monthly basis.

At the close of the 2005-06 fiscal year, the State also entered into approximately $970 million in swaps to create synthetic variable rate exposure, including $277 million of synthetic variable rate obligations and $693 million of forward starting synthetic variable rate obligations. In these transactions, the State issued fixed rate bonds and entered into swaps in which it receives a fixed rate comparable to the rate it pays on the bonds, and pays the Bond Market Association (BMA) variable rate, resulting in the State paying net variable rates. The net variable rate costs the State incurred with the synthetic variable rate bonds are lower than the net costs of issuing traditional variable rate bonds because they do not require additional support costs (liquidity, insurance, broker-dealer fees, and remarketing fees). Thus, this approach can be a less costly way to achieve additional variable rate exposure. The synthetic variable rate debt also provides the additional benefit of reducing the State's counterparty exposure under the synthetic fixed rate bonds discussed above (as determined by an independent financial advisor), and thus are "excluded agreements" under the legislation, and not counted under the swaps cap. As of March 31, 2006, the net mark-to-market value of the State's synthetic variable rate swaps is $6.5 million -- the total amount the State would have to pay to the collective authorized issuers should all swaps be terminated. They do, however, count towards the variable rate debt instruments cap.

The interest rate exchange agreements authorized by the legislation are subject to various statutory restrictions, including minimum counterparty ratings that are in at least the two highest investment grade categories from a national rating agency, monthly reporting requirements, the adoption of guidelines by the governing boards of the authorized issuers, collateral requirements, an independent finding that swaps reflect a fair market value, and the use of standardized International Swaps and Derivatives Association (ISDA) documents. All of the payments made to counterparties on outstanding State-supported interest rate exchange agreements described above are subordinated to bondholder debt service payments, and the State expects that all such payments on any interest rate exchange agreements the Authorized Issuers may enter into in the future will be similarly subordinated to bondholder debt service payments.

Net Variable Rate Obligations

As of March 31, 2006 the State had about $2.1 billion of outstanding variable rate debt instruments that are subject to the net variable rate exposure cap or 5.1 percent of total debt outstanding. That amount includes $1.8 billion of unhedged variable rate obligations and $277 million of in synthetic variable rate obligations described above (see "Interest Rate Exchange Agreements").

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 underlying variable rate bonds and the amount received by the State under their 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure. Variable rate bonds that are related to swaps pursuant to which the State pays a fixed rate of interest are excluded from the calculation of variable rate debt instruments outstanding.

Variable Rate Obligations	**As of March 31, 2006 (millions $)**
Variable Rate Exposure Cap	$6,177
Current Unhedged Variable Rate Obligations	$1,822
Synthetic Variable Rate Swaps	$277
Total Net Variable Rate Exposure	**$2,099**
Percent of Net Variable Rate Exposure to Debt Outstanding	**5.1%**
Policy Reserve for LIBOR Swaps	$2,090
Total Variable Rate Exposure (with Policy Reserve)	**$4,189**
Percent of Variable Rate Exposure to Debt Outstanding	**10.2%**

In addition to the variable rate obligations described above, as of March 31, 2006, about $2.4 billion in State-supported convertible rate bonds are currently outstanding. These bonds bear a fixed rate until future mandatory tender dates in 2009, 2011, 2012 and 2013 at which time they can convert to either a fixed or variable rate. Similar to these convertible bonds, the $693 million in forward starting synthetic variable rate obligations described above (see "Interest Rate Exchange Agreements") result in the State paying a fixed rate through 2014, and a variable rate between 2014 and 2030. Legislation enacted in 2005 amended the State Finance Law to clarify that convertible bonds, synthetic variable obligations and similar obligations that were issued on or before July 1, 2005 and which result in the State paying a fixed rate in a fiscal year do not count under the variable rate cap until the fiscal year in which the State may pay a variable rate.

Section 1: Subsection C

“State Organization (including State Employment)”

State Organization

State Government

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, 2006.

Name	Office	Party Affiliation	First Elected
George E. Pataki	Governor	Republican	1994
Mary Donohue	Lieutenant Governor	Republican	1998
Alan G. Hevesi	Comptroller	Democrat	2002
Eliot Spitzer	Attorney General	Democrat	1998

The Governor is elected on a single ticket with the Lieutenant Governor; the Comptroller and Attorney General are elected on separate tickets. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is John F. Cape). 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 "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 obligations.

The State Legislature is composed of a 62-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2006. 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 majority leaders of the Legislature are Joseph Bruno (Republican), Temporary President of the Senate, and Sheldon Silver (Democrat), Speaker of the Assembly. The minority leaders are David Patterson (Democrat) in the Senate and James Tedisco (Republican) in the Assembly.

State Financial Procedures

The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution and the State Finance Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The proposed State Financial Plan must be balanced on a cash basis and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

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

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature has authority to override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

Fiscal Controls

The State Constitution requires the Comptroller to audit the accrual and collection of State receipts. In addition, the Comptroller is required to audit all official State accounts and all claims against the State before payment. No such payment may be made unless the Comptroller has approved it.

Disbursements from State funds are limited to the lowest of (i) appropriations, (ii) available cash or (iii) the amounts allocated by the Director of the Budget. 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. Contracts for disbursements in excess of $50,000 require the Comptroller's approval (except for OGS expenditure contracts, for which the threshold for Comptroller's approval is $85,000, and for small business and MWBE contracts, for which the threshold is $100,000) and depend in most cases upon the existence of an appropriation and the issuance of a certificate of availability 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.

No appropriation may be increased or decreased by transfer or otherwise, except by (i) the interchange within a fund, among items of a particular program or purpose, of moneys appropriated for such program or purpose in such fund, with limited exceptions, or (ii) the enactment of certain emergency appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit spending by State departments, or delay construction projects to control disbursements. 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.

In May 2000, the State enacted several statutory provisions designed to restrict the amount of new debt that can be issued in the future. These debt reform provisions are discussed in the section entitled "Debt and Other Financing Activities" in this AIS.

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 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. The primary sources of this outstanding loan balance include timing-related delays in the receipt from Federal Funds and the sale of bonds used to finance capital projects, a delinquent SUNY hospital loan, and unreimbursed costs related to the Office for Technology Internal Service funds.

The total outstanding loan balance at March 31, 2006 was $1.39 billion, an increase of $105 million from the outstanding loan balance of $1.29 billion at March 31, 2005. The increase in the outstanding loan balance is primarily attributable to the receipt of planned bond proceeds that reimburse capital projects spending.

The 2004-05 Enacted Budget included legislation that permitted the Comptroller to temporarily loan balances in other funds to the General Fund within any month. The State relied on this authorization several times in 2003-04 and 2004-05 to support intra-month cash flow needs. This authorization was extended permanently in the 2005-06 Enacted Budget.

Accounting, 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 only at the time money or checks are deposited in the State Treasury, and disbursements are recorded only at the time a check is drawn. 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 earned and expenses are recorded when a liability is 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 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. Nonexchange 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.

State Government Employment

As of March 31, 2006, the State had approximately 191,400 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees but excluding seasonal, legislative and judicial employees. The workforce is now 17 percent smaller than it was fifteen years ago, when it peaked at 230,600 positions.

In January 1995, the State implemented concerted initiatives designed to reduce the size of the workforce and now has 19,800 fewer full-time employees than it had at that time. State workforce levels had been generally stable in the late 1990s. The State ended the 2005-06 fiscal year with 191,400 positions and, with the Enacted Budget, expects to end the 2006-07 fiscal year with a total 191,275 filled positions.

The State Public Employment Relations Board defines negotiating units for State employees. The Governor's Office of Employee Relations conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has reached new collective bargaining agreements with the Civil Service Employees Association, the United University Professions, the Public Employees Federation, District Council 37, the Graduate Student Employees Union, the State Troopers Police Benevolent Association and certain employee unions which cover most of the employees in the Judiciary. These agreements will govern employee compensation and benefit policies through early 2007. Security employees represented by the New York State Correctional Officers and Police Benevolent Association recently received an arbitration award which will similarly cover them through early 2007. Investigators of the Bureau of Criminal Investigation in the Division of State Police were provided one two-year arbitration award for the period 2003 through early 2005, and just secured a second interest arbitration award for the period through 2007. The State is currently involved in binding arbitration proceedings with two remaining units represented by Council 82 which are the Security Supervisors and Agency Law Enforcement Services units.

While approximately 93 percent of the State workforce is unionized, the remainder of the workforce (about 12,750) is designated as "managerial" or "confidential" and is excluded from collective bargaining. In practice, however, the results of collective bargaining negotiations are generally applied to all State employees within the Executive Branch. 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 the Department of Correctional Services.

Section 1: Subsection D

“State Retirement Systems”

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2004-05 fiscal year. There were 2,992 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2005, 647,758 persons were members and 334,251 pensioners or beneficiaries were receiving benefits. 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. Members cannot be required to begin making contributions or make increased contributions beyond what was required when membership began.

Contributions

Funding is provided in large part by employer and employee contributions. Employers contribute on the basis of the plan or plans they provide for members. Members joining since mid-1976, other than police and fire members, are required to contribute 3 percent of their salaries for their first 10 years of membership.

Legislation enacted in May 2003 realigned the Retirement Systems billing cycle to match governments' budget cycles and also instituted a minimum annual payment. The employer contribution for a given fiscal year will be based on the value of the pension fund and its liabilities on the prior April 1. In addition, employers are required to make a minimum contribution of at least 4.5 percent of payroll every year.

Employer contributions due from the State for the fiscal year ending March 31, 2006, payable on July 1, 2005, totaled $965.2 million which included the first amortization payment from the 2005 bill of $64 million and was calculated assuming that the State will amortize $155 million of the 2006 bill over 10 years. The State paid this bill on July 1, 2005 with the exception of a portion of the payment for Judiciary personnel of $4.6 million which was paid on March 1, 2006. Also on July 1, 2005, the State made an additional payment of $19.5 million to reduce its remaining retirement incentive costs and several other small costs. Estimated employer contributions due from the State for the fiscal year ending March 31, 2007, payable on September 1, 2006, total $1,087.3 million, which includes the Judiciary bill.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2005 were $128.0 billion (including $2.6 billion in receivables), an increase of $7.2 billion or 6.0 percent from the 2003-04 level of $120.8 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $140.2 billion on April 1, 2004 to $146.5

billion (including $55.2 billion for current retirees and beneficiaries) on April 1, 2005. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2005 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2005 fiscal year. Actuarial assets increased from $117.5 billion on April 1, 2004 to $123.8 billion on April 1, 2005. The table that follows shows the actuarially determined contributions that have been made over the last seven years. See also "Contributions" above.

Net Assets Available for Benefits of the New York State and Local Retirement Systems(1) (millions of dollars)

Fiscal Year Ended March 31	Total Assets(2)	Increase/ (Decrease) From Prior Year
1999	112,723	6.0
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0

Sources: State and Local Retirement Systems.
(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2005 includes approximately $2.6 billion of receivables.
(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

Contributions and Benefits New York State and Local Retirement Systems (millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid(2)
	All Participating Employers(1)	Local Employers(1)	State(1)	Employees	
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691

(1) Includes employer premiums to Group Life Insurance Plan.
(2) Includes payments from Group Life Insurance Plan.

Section 1: Subsection E

“Authorities and Localities”

Authorities and Localities

Public Authorities

For the purposes of this disclosure, public authorities refer to certain of its public benefit corporations, created pursuant to State law. Public authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets could be impaired and the market price of its outstanding debt may be materially and adversely affected if certain of its public authorities were to default on their respective obligations, particularly those using the financing techniques referred to as State-supported or State-related debt under the section entitled "Debt and Other Financing Activities" in this statement. As of December 31, 2005, the 19 public authorities below had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, of these public authorities was approximately $124 billion, only a portion of which constitutes State-supported or State-related debt. The table below summarizes the outstanding debt of these public authorities.

Outstanding Debt of Certain Public Authorities (1)
As of December 31, 2005
(millions of dollars)

Public Authority	Amount(2)(3)
Dormitory Authority (4)	32,281
Metropolitan Transportation Authority	15,261
Port Authority of NY & NJ	10,984
Thruway Authority	10,578
Triborough Bridge and Tunnel Authority	7,160
Environmental Facilities Corporation	7,126
Long Island Power Authority (5)	7,017
Housing Finance Agency	6,831
UDC/ESDC	6,688
Local Government Assistance Corporation	4,317
Tobacco Settlement Financing Corporation	4,278
Energy Research and Development Authority	3,672
State of New York Mortgage Agency	2,905
Power Authority	2,299
Battery Park City Authority	1,041
Convention Center Development Corporation	700
Municipal Bond Bank Agency	559
Niagara Frontier Transportation Authority	187
United Nations Development Corporation	128
TOTAL OUTSTANDING	124,012

Source: Office of the State Comptroller.
(1) Includes only certain of the public authorities which have more than $100 million in bonds outstanding.
(2) Amounts outstanding reflect original par amounts for bonds and financing arrangements or original issue amounts in the case of capital appreciation bonds and do not reflect accretion of capital appreciation bonds or premiums received.
(3) Includes short-term and long-term debt.
(4) Includes debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.
(5) Includes $155 million in bonds issued by the New York State Energy Research and Development Authority and included in amounts reported for both NYSERDA and LIPA.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. Public authorities generally pay their operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels, charges for public power, electric and gas utility services, rentals charged for housing units, and charges for occupancy at medical care facilities. In addition, State legislation authorizes several financing techniques for public authorities that are described under the section entitled "Debt and Other Financing Activities" above.

Also, there are statutory arrangements providing for State local assistance payments otherwise payable to localities to be made under certain circumstances to public authorities. Although the State has no obligation to provide additional assistance to localities whose local assistance payments have been paid to public authorities under these arrangements, the affected localities may seek additional State assistance if local assistance payments are diverted. Some authorities also receive moneys from State appropriations to pay for the operating costs of certain of their programs.

Metropolitan Transportation Authority

The official financial disclosure of the MTA and its subsidiaries is available by contacting the Metropolitan Transportation Authority, Finance Department, 347 Madison Avenue, 6th Floor, New York, New York 10017 or by visiting the MTA website at www.mta.info. The State assumes no liability or responsibility for any financial information reported by the MTA or for any errors or omissions that may be contained at the MTA website.

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of the 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 the City, and certain entities issuing debt for the benefit of the City, to market securities successfully in the public credit markets. The official financial disclosure of The City of New York and the financing entities issuing debt on its behalf is available by contacting Raymond J. Orlando, Director of Investor Relations, (212) 788-5875 or contacting the Office of Management and Budget, 75 Park Place, 6th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by The City of New York.

Fiscal Oversight for New York City

In response to the City's fiscal crisis in 1975, the State took action to help the City return to fiscal stability. These actions included the establishment of the Municipal Assistance Corporation for the City of New York (NYC MAC), to provide the City with financing assistance; the New York State Financial Control Board (FCB), to oversee the City's financial affairs; and the Office of the State Deputy Comptroller for the City of New York (OSDC), to assist the Control Board in exercising its powers and responsibilities. A "control period" existed from 1975 to 1986, during which the City was subject to certain statutorily prescribed fiscal controls. The FCB terminated the control period in 1986 when certain statutory conditions were met. State law requires the FCB to reimpose a control period upon the occurrence or "substantial likelihood and imminence" of the occurrence, of certain events, including (but not limited to) a City operating budget deficit of more than $100 million or impaired access to the public credit markets.

The staffs of the FCB, 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 outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2006-07 fiscal year or thereafter.

To help resolve persistent fiscal difficulties in Erie County, the State enacted legislation in July 2005 that created the Erie County Fiscal Stability Authority (ECFSA). Under this statute, the County is required to take annual budgetary actions necessary to address increasing percentages of its projected budget gaps and the ECFSA is authorized to finance the remaining budget gaps through the issuance of deficit bonds and through restructuring or refinancing of outstanding debt. The County's sales tax revenues and certain statutorily defined State aid payments are pledged as revenue to support any bonds issued by ECFSA.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the Federal government may reduce (or in some cases eliminate) Federal funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. It is also possible that localities or any of their respective 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. 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, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

The following tables summarize the debt of (i) all localities in the State outside of New York City and (ii) New York City.

Debt of New York Localities (1)

(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt (2)(3)		Other Localities Debt(4)		Total Locality Debt(4)	
	Bonds	Notes	Bonds(5)	Notes(5)	Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,079	4,005	58,323	4,520
2001	40,305	---	20,199	4,278	60,504	4,278
2002	42,721	2,200	21,689	4,730	64,410	6,930
2003	47,376	1,110	23,817	5,923	71,193	7,033
2004	50,265	---	26,568	4,635	76,833	4,635
2005	54,421	---	N/A	N/A	N/A	N/A

N/A: Not Available

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 through 1997 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) New York City's debt outstanding has been revised as presented in the FY 2004 City Comptroller's Comprehensive Annual Financial Report.

(3) Includes New York City capital leases obligations which were not reflected in previous years. Includes bonds issued by the Dormitory Authority of the State of New York for education, health and courts capital projects, the Samurai Funding Corporation and other long-term financing 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.

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations, assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt.

(5) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

Debt of New York City
as of June 30 of each year
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA	Obligations of MAC	Obligations of STAR Corp. (1)	Obligations of TSASC, Inc.	Other(2) Obligations	Treasury Obligations	Total
1980	6,179	---	6,116	---	---	995	(295)	12,995
1990	13,499	---	7,122	---	---	1,077	(1,671)	20,027
1995	24,992	---	4,882	---	---	1,299	(1,243)	29,930
1996	26,627	---	4,724	---	---	1,394	(1,122)	31,623
1997	27,549	---	4,424	---	---	1,464	(391)	33,046
1998	27,310	2,150	4,066	---	---	1,529	(365)	34,690
1999	27,834	4,150	3,832	---	---	1,835	(299)	37,352
2000	27,245	6,438 (3)	3,532	---	709	2,065	(230)	39,759
2001	27,147	7,386	3,217	---	704	2,019	(168)	40,305
2002	28,465	10,489 (4)	2,880	---	740	2,463	(116)	44,921
2003	29,679	13,134 (5)	2,151	---	1,258	2,328	(64)	48,486
2004	31,378	13,364	1,758	---	1,256	2,561	(52)	50,265
2005	33,903	12,977	---	2,551	1,283	3,746	(39)	54,421

Source: Office of the State Comptroller.

(1) 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 Corporation by the Mayor of the City of New York.

(2) Includes New York City capital leases obligations which were not reflected in previous years. Includes bonds issued by the Dormitory Authority of the State of New York for education, health and courts capital projects, the Samurai Funding Corporation and other long-term financing 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.

(3) Includes $515 million of bond anticipation notes issued to finance the City's capital expenditures.

(4) Includes $2.2 billion of bond anticipation notes used to finance the City's capital expenditures in the amount of $1.2 billion and Recovery notes for costs related to and arising from events on September 11, 2001 at the World Trade Center in the amount of $1 billion

(5) Includes $1.11 billion of bond anticipation notes issued to finance the City's capital expenditures.

Section 1: Subsection F

“Economics and Demographics”

Economics and Demographics

The following section presents economic information that may be relevant in evaluating the future prospects of the State economy. Additional information on the economic forecast that supports the current financial plan projections appears in this AIS in the section entitled "Current Fiscal Year."

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.

The U.S. Economy

The U.S. economy rebounded in the first quarter of 2006 with growth of 4.8 percent, following anemic growth of only 1.7 percent in the fourth quarter of last year. Much of the weakness in the fourth quarter was due to timing factors and, thus, a strong first quarter performance was expected. However, the 3.3 percent average growth rate over the two quarters represents a slowdown from the 4.1 percent average over the prior two and one-half years. With interest rates rising and the housing market exhibiting signs of cooling, the national economy is expected to significantly decelerate over the course of the year and into 2007. This outlook is consistent with the consensus economic forecasting process conducted by the Executive and the Legislature in advance of the enactment of the State's 2006-07 Budget. Despite the slowdown, several factors — including: continued improvement in business spending and hiring, substantial outlays for post-hurricane reconstruction, and continued growth abroad — are expected to lead to growth at roughly the long-term trend rate over most of the forecast horizon.

Since the release of the 2006-07 Executive Budget with 30-day amendments in February 2006, revisions to third and fourth quarter data indicate that the national economy entered the year with slightly more momentum than originally thought. Both income and output were modestly stronger than preliminary data indicated. Therefore, DOB has slightly increased projected growth in real U.S. GDP for 2006 to 3.4 percent, following growth of 3.5 percent for 2005.

Inflation and Monetary Policy

Geopolitical concerns have sent energy prices higher since the release of the Executive Budget with 30-day amendments. Earlier in the year, favorable inventories reports made it appear as if crude oil prices would moderate, but they in fact did just the opposite. With supply concerns becoming a more permanent feature of the energy landscape, DOB has altered its outlook for oil prices accordingly. However, a slowing economy and well-anchored expectations regarding inflation mean that higher energy prices should translate into only slightly higher growth in the general price level. Consumer price inflation is projected to be 3.1 percent for 2006.

After almost two years and 15 consecutive interest rate increases of 25 basis points each, long-term interest rates have finally risen above their levels when the Federal Reserve initiated its policy shift at the end of June 2004. In late April, the 10-year Treasury yield breached 5 percent for the first time since 2002. Nevertheless, the interest rate term spread remains historically narrow for what is believed to be the middle and not the end of an economic expansion. How the Federal Reserve views the causes of the widely discussed "interest rate conundrum" may determine how much tightening the monetary authority thinks it needs in order to maintain price stability. In the past, narrowing term spreads have often signaled the onset of a recession. However, the currently prevailing view is that the recent narrowing of the term spread has been the result of a declining term premium, rather than a harbinger of bad times to come.[1] Possible explanations for the decline in the term premium include: more moderate inflation and economic volatility, due in part to well-anchored inflation expectations; currency market interventions by foreign governments; asset management strategies pursued by pension funds; and a tight supply of long-term securities relative to demand.

Since long-term rates are viewed as more important to the decision-making of households and businesses than short-term rates, the behavior of the term premium could have important implications for the conduct of monetary policy. For example, a lower term premium could imply a higher policy-neutral interest rate target relative to the historical average. DOB expects that the central bank will accelerate the pace of growth in its federal funds target, then pause once it reaches 5 percent, leaving its longer-term path unchanged from the Executive Budget forecast. Consequently, the 10-year Treasury yield is also expected to rise more quickly over the course of 2006 than was projected in February.

Household Spending and Housing Market Risk

The Executive Budget presentation outlined the potential risks to consumption and residential investment spending from a cooling housing market. The most recent data suggests that the cooling process has already begun. Like other long-term interest rates, mortgage rates have had an unusual relationship with the federal funds rate since mid-2004. Nonetheless, mortgage rates are at their highest levels since early 2003, implying a decline in housing affordability, all else being equal. Consequently, both new and existing home sales have fallen from their 2005 peaks and construction employment growth has leveled off.

With the rise in interest rates and the cooling of the housing market, mortgage equity withdrawals are expected to diminish. This decline could act to diminish consumer spending. Data collected by Freddie Mac indicate that the 2005 volume of equity cash-outs was even stronger than had been projected in February. However, cash withdrawals are expected to fall by about half for 2006, and the eventual impact on consumption growth could be even larger than originally estimated. But the lags with which households are believed to spend these withdrawals should ensure that the impact will unfold gradually. In addition, the national labor market remains strong, with employment gains averaging 218,000 for the five-month post-hurricane period of November 2005 through March 2006. Employment growth is projected at 1.6 percent for 2006, slightly stronger than the 1.5 percent growth experienced in 2005. The forecast for 2006 translates into average monthly gains of about 170,000 jobs for the remainder of the year, more than sufficient to absorb the expected growth in the labor force. Moreover, revisions to wages by the U.S. Bureau of Economic Analysis indicate even stronger growth for last year than originally estimated, resulting in a higher forecast for both wages and personal income for 2006 as well. Wage and personal income growth are projected at 5.5 percent and 6.2 percent, respectively, for 2006.

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[1] For an exposition of this view, see Ben Bernanke, "Reflections on the Yield Curve and Monetary Policy," The Federal Reserve Board, remarks before the Economic Club of New York, New York, NY, March 20, 2006.

The DOB expects that the strength in employment and income growth will almost fully compensate for the decline in stimulus coming from the housing market. Total consumption spending is expected to grow 3.4 percent for 2006, slightly below the 3.5 percent rate for 2005, and slightly above the Executive Budget projection. A subdued housing market is still expected to sharply reduce residential construction spending from 7.1 percent in 2005 to 1.3 percent for 2006. However, the downside risks to the forecast stemming from the household sector are perhaps more pronounced now than in February. Elevated energy prices, particularly for gasoline, could take a larger bite out of consumer spending than projected. In addition, an accelerated pace of interest rate increases could imply a quicker falloff in mortgage refinancings and equity withdrawals, as well as home sales.

Business Sector Spending

In addition to the strong recent gains in employment, the nation's business sector has shown an increased propensity to spend on plant and equipment. Year-over-year growth in shipments of nondefense capital goods has accelerated recently, after falling off during much of 2005. This falloff occurred despite extremely robust growth in corporate profits. Investment in equipment and software in the fourth quarter was brought down by a slowdown in auto purchases by businesses, following a strong response to buyer incentives offered over the summer. However, after adjusting for this timing factor, it becomes apparent that momentum in overall business spending is building. Indeed, spending for nonresidential structures also appears to be on the upswing, perhaps in anticipation of higher future long-term interest rates. These developments have led the DOB to increase projected growth in nonresidential fixed investment for 2006 to 8.9 percent, following growth of 8.6 percent for 2005.

Growth in corporate profits from current production, including the inventory valuation and capital consumption adjustments, was exceedingly strong in the fourth quarter of last year, bringing growth up to 16.4 percent for all of 2005. Profits are expected to remain strong, consistent with higher projected energy prices. Therefore, the DOB has raised its forecast for profits growth for 2006 to 13.9 percent. This increase in projected corporate earnings is expected to be largely offset by faster growth in long-term interest rates. Thus, projected equity market growth for 2006, as represented by growth in the S&P 500 price index, is virtually unchanged at 10.4 percent, following growth of 6.8 percent in 2005.

Twin Deficits Remain a Risk

There are indications that global growth is exceeding expectations, which combined with revised data for the fourth quarter, has resulted in faster export growth than projected in February. Real export growth of 8.0 percent is now projected for 2006, following growth of 6.9 percent for 2005. However, preliminary data, along with stronger projected investment growth, have resulted in higher projected import growth as well. Real import growth of 8.4 percent is projected for 2006, following growth of 6.3 percent for 2005. Thus, these revisions to foreign sector growth still imply a deteriorating trade deficit for this year. In addition, the war and reconstruction efforts, along with the recent expansion of the Medicare program, imply continued stimulus from Federal fiscal policy. Based on revised data for the fourth quarter of 2005 and preliminary data for the first quarter of 2006, DOB has increased the projected rate of real government spending for 2006 to 2.1 percent, following growth of 1.8 percent for 2005.

The Federal budget deficit, along with an ever-widening trade deficit, continues to pose a risk to the U.S. dollar. With growth prospects now significantly improving, the Bank of Japan's effort to depress the value of the yen relative to the dollar could diminish with time. Indeed, Japan's foreign holdings of U.S. Treasury securities as of January 2006 were actually below the January 2005 level. Moreover, Chinese holdings of U.S. Treasuries, the second largest outside of the U.S., grew at a much slower rate over the course of 2005 than over the prior year. Strengthening global growth can be expected to generate concern about inflation and, hence, rising interest rates worldwide, leaving the dollar more vulnerable to depreciation risk as a result of the growing twin deficits.

Economic Indicators for the United States

	2002	2003	2004	2005	2006(1)
Gross Domestic Product					
Nominal (billions $)	10,469.6	10,971.3	11,734.3	12,487.2	13,319.3
Percent Change	3.4	4.8	7.0	6.4	6.7
Real (billions $)	10,048.9	10,320.6	10,755.7	11,134.8	11,516.3
Percent Change	1.6	2.7	4.2	3.5	3.4
Personal Income					
(billions $)	8,881.9	9,169.1	9,713.3	10,248.3	10,880.7
Percent Change	1.8	3.2	5.9	5.5	6.2
Nonagricultural Employment					
(millions)	130.3	130.0	131.4	133.5	135.6
Percent Change	(1.1)	(0.3)	1.1	1.5	1.6
Unemployment Rate (%)	5.8	6.0	5.5	5.1	4.8
Consumer Price Index					

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.

(1) As projected by the NYS DOB, based on National Income and Product Account data through April 2006.

Risks to the U.S. Forecast

In addition to the risks outlined above, a shock to the economy related to geopolitical uncertainty, particularly in the form of a direct attack, remains the greatest risk to the U.S. forecast. The DOB's outlook for household sector spending continues to rely on healthy growth in employment and wages, a gradual receding of inflationary pressures, a slow decline in the housing market, and the settling of interest rates at a relatively "neutral" level. If the Federal Reserve believes that the long bond term premium is permanently lower, then it might feel the need to raise short-term interest rates by more than in the past in order to preempt inflationary pressure, presenting the possibility that the Federal Reserve could overshoot. A weaker labor or housing market, or higher interest rates than expected could result in lower consumer spending than projected. Energy market speculation in the face of a tight and uncertain supply of oil remains a risk to the inflation forecast, and is compounded by risks to the value of the dollar. Finally, excessive volatility in equity prices represents an additional source of uncertainty. However, stronger job growth, lower energy prices, or lower long-term interest rates than anticipated could result in a stronger national economy than projected.

The New York Economy

The State's recovery is securely in the middle of its third year. The State's financial and housing sectors have been strongly supported by low interest rates and rising home prices, while the professional and business services sector has benefited from robust growth in U.S. corporate profits. In addition, New York City's tourism boom appears to be continuing. However, the most recent data continues to indicate that the State's economic momentum may have peaked in 2005, with growth expected to slow going forward. State private sector employment growth is projected to slow to 0.9 percent in 2006, consistent with the consensus economic forecasting process conducted by the Executive and the Legislature in advance of the enactment of the State's 2006-07 Budget.

The most recent establishment-level data, which permits a more detailed analysis of the State's labor market dynamics, continues to support a positive outlook for State employment growth. The State's gross rate of job creation comfortably exceeds the gross rate of job destruction. Nevertheless, the recent upturn in the job destruction index may be yet another indicator of the slowing of State economic growth. As mentioned above, recent Federal Reserve policy appears aimed at engineering a soft landing for the U.S. economy as was successfully accomplished in 1994-95. However, as the events of that period demonstrated, because of the State's position as a financial market capital, the New York economy tends to be more sensitive to monetary policy actions than the economies of other states. Employment growth at both the State and national levels responded negatively to the seven consecutive interest rate hikes implemented by the Federal Reserve between January 1994 and January 1995. Thus the soft landing projected for the nation could turn into a significant slowdown for New York.

Revisions to State Income

The most recent data indicates that employment dynamics at the firm level continue to support a positive outlook for State employment growth. The State's gross rate of job creation comfortably exceeds the gross rate of job destruction. Nevertheless, a slight upturn in the job destruction index may be yet another indicator of the slowing of State economic growth. As mentioned above, recent Federal Reserve policy appears aimed at engineering a soft landing for the U.S. economy as was successfully accomplished in 1994-95. However, as the events of that period demonstrated, because of the State's position as a financial market capital, the New York economy tends to be more sensitive to monetary policy actions than the economies of other states. Employment growth at both the State and national levels responded negatively to the seven consecutive interest rate hikes implemented by the Federal Reserve between January 1994 and January 1995. Thus the soft landing projected for the nation could turn into a significant slowdown for New York.

Risks to the New York Forecast

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Finance and insurance sector bonuses fell 7.7 percent during the 1994-95 State fiscal year in the wake of the Federal Reserve's policy shift. This risk would become amplified should the central bank overshoot its target. The impact of rising rates on the State's housing sector also poses a risk. Should the State's real estate market cool more rapidly than anticipated, household consumption and taxable capital gains realizations could be negatively affected. These effects could ripple though the economy, depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

Economic Indicators for New York State

	2002	2003	2004	2005	2006(1)
Personal Income					
(billions $)	677.6	691.1	737.8	779.9	825.9
Percent Change	(0.3)	2.00	6.7	5.7	5.9
Nonagricultural Employment					
(thousands)	8,459.0	8,407.0	8,461.9	8,528.3	8594.9
Percent Change	(1.5)	(0.6)	0.7	0.8	0.8
Unemployment Rate (%)	6.2	6.4	5.8	5.0	4.7

Sources: US Department of Commerce, Bureau of Economic Analysis; NYS Department of Labor. Table reflects revisions by source agencies to data for prior years.

(1) As projected by Division of the Budget, based on National Income and Product Account and employment data available through April 2006.

New York is the third most populous state in the nation 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 link in 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. In 2003, Federal and state governments began reporting employment and wage statistics in accordance with the NAICS industrial classification system.

Services: Under NAICS, the services industries include professional and business services, education and healthcare, leisure and hospitality services, and other services. These industries account for more than four of every ten nonagricultural jobs in New York, and account for a higher proportion of total jobs than the rest of the nation.

Manufacturing: Manufacturing employment continues to decline in New York, as in most other states, and 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, as high concentrations of manufacturing industries for transportation and many other types of equipment are located in the upstate region.

Trade, Transportation & Utilities: As defined under NAICS, the trade, transportation, and utilities sector accounts for the largest component of State nonagricultural employment, but only the fourth largest when measured by income share. This sector accounts for slightly less employment and wages for the State than for the nation.

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

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 second largest sector in terms of nonagricultural jobs, with the bulk of the employment accounted for by local governments. Public education is the source of nearly one-half of total State and local government employment.

The importance of the different sectors of the State's economy relative to the national economy is shown in the following table, which compares nonagricultural employment and wages by sector for the State and the nation as a whole. Relative to the nation, the State has a smaller share of manufacturing and construction and a larger share of service industries. The financial activities sector share of total wages is particularly large for the State relative to the nation. 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.

Composition of Nonagricultural Employment and Wages by Major NAICS Sector for 2005

(Percent)

	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.5	0.1	0.7
Construction	3.8	5.5	3.7	5.6
Manufacturing	6.8	10.7	6.8	12.6
Trade, Transportation & Utilities	17.6	19.4	13.3	16.7
Information	3.2	2.3	4.6	3.5
Financial Activities	8.4	6.1	20.3	9.3
Professional and Business Services	12.7	12.6	16.2	15.2
Educational and Health Services	18.1	13.0	13.0	11.6
Leisure and Hospitality	7.8	9.6	3.7	4.2
Other Services	4.2	4.0	2.8	3.1
Government	17.4	16.3	15.1	16.8

Source: NYS Department of Labor; US Department of Labor, Bureau of Labor Statistics; US Department of Commerce, Bureau of Economic Analysis.

Economic and Demographic Trends

In the 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 economy of the State, and that of the rest of the Northeast, was more heavily damaged than that of the nation as a whole and had been slower to recover. However, the situation subsequently improved. In 1999, for the first time in 13 years, the employment growth rate of the State surpassed the national growth rate, and, in 2000, the rates were essentially the same. In 2001, the September 11th attack resulted in a slowdown in New York that was more severe than in the nation as a whole. Although the State unemployment rate was higher than the national rate from 1991 to 2000, the gap between them has since closed.

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	226,542	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2

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 Percentage 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	4.5	4.9
1980	7,207	90,528	8.0	7.5	7.1
1990	8,212	109,487	7.5	5.3	5.6
2000	8,635	131,785	6.6	4.5	4.0
2005 (prelim.)	8,528	133,463	6.4	5.0	5.1

Source: US Department of Labor and NYS 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. 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 income for the State and the nation.

Per Capita Personal Income
(Dollars)

	State	US	State/US
1960	2,821	2,269	1.24
1970	4,874	4,085	1.19
1980	11,015	10,114	1.09
1990	23,523	19,477	1.21
2000	34,897	29,845	1.17
2005 (prelim.)	40,507	34,586	1.17

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

Section 2 - Update to Annual Information Under Various Headings

Information contained in this Section 2 is limited to that required to be updated pursuant to relevant disclosure obligations. This section contains additional updated annual information for extracts from the Official Statements for certain series of bonds. Section 2 is not intended to serve, nor does it serve, as a full update to all information contained in the relevant Official Statement. Readers are advised to review the contents of this Section 2 together with the complete sections of the relevant Official Statements, and defined terms therein, to which this update applies.

Section 2: Subsection G

New York Local Government Assistance Corporation Bonds

“The Sales Tax”

This Subsection G contains information required to be updated relating solely to obligations issued by the New York Local Government Assistance Corporation. Capitalized words used in this Subsection are defined as set forth in the related Official Statements.

THE SALES TAX

General

In 1965, New York became the 39th State to impose a general sales and compensating use tax (the "Sales 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 to 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 1996 to 1999 provided for periodic exemptions of certain clothing and footwear, with an exemption for clothing and footwear under $110 made permanent in March 2000. Legislation enacted in 1996 included an exemption of clothing and footwear costing less than $500 during the one-week period of January 18, 1997 through January 24, 1997. Legislation enacted in 1997 included a permanent exemption of clothing and footwear costing less than $110, effective December 1, 1999, as well as one-week exemptions for the weeks of September 1 through September 7 in 1997 and 1998. Legislation enacted in 1998: (1) expanded the September 1 through September 7, 1998 temporary clothing exemption to include both clothing and footwear costing less than $500 from the State's 4 percent sales and use tax; (2) exempted clothing and footwear costing less than $500 from the State's 4 percent sales and use tax for the period of January 17 through January 24, 1999; and (3) expanded the permanent State sales tax exemptions beginning December 1, 1999 to include footwear and raised the exemption threshold to $110. Legislation enacted in 1999: (1) changed the effective date of the permanent exemption of clothing and footwear priced under $110 to March 1, 2000 and (2) exempted clothing and footwear priced under $500 from the State's 4 percent sales and use tax for the one-week periods of September 1 through September 7, 1999 and January 15 through January 21, 2000. Also, legislation enacted in 2000 provided a sales and use tax exemption for property and services used or consumed by qualifying businesses located in Empire Zones. Empire Zones are geographic areas created to assist in economic development authorized by the Legislature and designated by the Empire State Development Corporation. Eight new Empire Zones were added effective March 1, 2002 and six new Empire Zones were added effective May 29, 2002. In addition, legislation enacted in 2002 exempted most sales of tangible personal property and certain other items made in the New York City Liberty and Resurgence Zones and priced under $500 from the State's 4 percent sales and use tax for the 3 day periods June 9 through June 11, 2002, July 9 through July 11, 2002, and August 20 through August 22, 2002. Legislation enacted in 2003: (1) temporarily raised the State sales tax rate to 4.25 percent effective June 1, 2003 to May 31, 2005, (2) effective June 1, 2003 to May 31, 2004 replaced the permanent exemption on items of clothing and footwear priced under $110 with a sales tax free week in August 2003 and another in January 2004 for the same items and thresholds and (3) included the New York City cigarette excise tax of $1.50 per pack in the State and local sales tax bases. Legislation enacted in 2004: (1) effective June 1, 2004 to May 31, 2005 replaced the permanent exemption on items of clothing and footwear priced under $110 with a sales tax free week in August 2004 and another in January 2005 for the same items and thresholds and (2) required contractors, subcontractors and their affiliates who make deliveries of taxable services or tangible personal property valued at more than $300,000 to New York locations to register as sales tax vendors. Legislation enacted in 2005 postponed the return of the permanent exemption on items of clothing and footwear priced under $110 until April 1, 2007 unless the Governor's 2006-07 Executive Budget proposed more tax reductions, in which case the permanent exemption would go into effect on April 1, 2006. Because the 2006-07 Executive Budget proposed tax reductions, the permanent exemption went into effect on April 1, 2006. During this period there were two separate exemption weeks per year at the same threshold. Legislation enacted in 2006 increased the vendor credits relating to the collection of sales tax, and capped the sales tax on motor fuel and diesel motor fuel at eight cents per gallon.

Vendors of goods and services which are subject to the Sales Tax are required to submit quarterly reports and remit tax collections with a postmarked due date of March 20th, June 20th, September 20th and December 20th. Prior to June 1, 1998, vendors collecting $250 or less in sales tax per year could elect to file annually in June. The State has implemented regulations that increase the annual filing threshold from $250 to $3,000 in sales tax per year. In addition, such regulations require vendors that elect to file annually to do so on March 20th. The regulations apply to annual returns required to be filed for periods beginning on or after June 1, 1998, and thus did not affect 1997-98 Sales Tax receipts described herein. Since March 1976, vendors with taxable volume of $300,000 or more in any of the preceding quarters for which they remitted the tax have been required to remit tax on a monthly basis. Monthly remittances are due on the 20th day of the month following the month of collection, and, until fiscal year 1989-90, on an estimated basis on March 20th for the month of March (the "March Prepayment"). The March Prepayment was eliminated in February 1991. Since December 1992, 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 reduced from $5 million to $4 million effective December 1994, to $1 million effective December 1995 and to $500,000 effective September 2002. In addition, legislation in 1996 provided exemptions from the EFT program for certain materialmen that can demonstrate hardship, effective April 1, 1997. In addition, legislation enacted in 1997 increased the amount that sales tax vendors are allowed to keep for their sales tax collection services to 3.5 percent of their sales tax liability up to a maximum of $150 per quarter, effective March 1, 1999. Legislation enacted in 2006 increased the amount that sales tax vendors are allowed to keep for their sales tax collections to 5 percent of their sales tax liability. The maximum allowed is $175 in 2006-07 and $200 thereafter.

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. Other provisions permit certain taxpayers to pay the Sales Tax directly to the Commissioner of Taxation and Finance.

Sales Tax Receipts

Sales Tax receipts constitute the State's second largest source of tax receipts after the personal income tax and accounted for nearly 22.6 percent of General Fund tax receipts and nearly 20.9 percent of combined General Fund and Tax Fund tax receipts in the State's 2005-06 fiscal year. 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 2000-01 receipts of $8.363 billion reflect an increase of 7.9 percent in the continuing Sales Tax base, the loss of approximately $597 million from legislation enacted to permanently exempt clothing and footwear costing under $110 from the State's sales and use tax, the minor impact of other 2000 legislation and the first full year impact of 1999 legislation.

Actual 2001-02 receipts of $8.175 billion reflect a decline of 2 percent in the continuing Sales Tax base, the loss of $40 million from Empire Zones legislation, and the first full year impact of legislation enacted in 2000. The attacks on the World Trade Center resulted in revenue losses due to destroyed and shuttered businesses, and sharp declines in tourism spending. Business equipment purchases rose after the attack, which partially offset some of the negative impact on receipts.

Actual 2002-03 receipts of $8.434 billion reflect an increase of 2.8 percent in the continuing Sales Tax base, the loss of $6.8 million from Empire Zones legislation, the loss of $10 million from Liberty Zones legislation, the gain of $6 million from pre-paid sales tax on cigarettes, and the gain of $32 million from the lower EFT threshold.

Actual 2003-04 receipts of $9.508 billion reflect an increase of 4.5 percent in the continuing Sales Tax base and changes to the tax law. The 2003-04 Enacted Budget temporarily eliminated the exemption for items of clothing and shoes priced under $110 and replaced it with an exemption for items of clothing and footwear priced under $110 that was effective during two separate weeks in 2003-04. This legislation increased receipts by an estimated $441 million in 2003-04. The 2003-04 Enacted Budget also included a quarter percent sales tax surcharge which increased receipts by an estimated $428 million in 2003-04, all of which was directed to the General Fund.

Actual 2004-05 receipts of $10.587 billion, reflect an increase of 6.8 percent in the continuing Sales Tax Base as well as tax law changes. The 2004-05 Enacted Budget temporarily eliminated the exemption for items of clothing and shoes priced under $110 due to resume on June 1, 2004 with an exemption for items of clothing and footwear priced under $110 during two separate weeks in 2004-05. This legislation increased receipts by an estimated $483 million in 2004-05.

Actual 2005-06 sales tax receipts were $10.593 billion, reflecting an increase of 5.3 percent in the continuing sales tax base. The 2005-06 Enacted Budget temporarily eliminated the exemption for items of clothing and footwear priced under $110 and replaced it with an exemption for items of clothing and footwear priced under $110 that was effective during two separate weeks in 2005-06. This legislation is estimated to have generated about $476 million in additional revenue in 2005-06.

The 2006-07 Enacted Budget sales tax receipts are estimated to be $10.252 billion, reflecting an increase in the continuing Sales Tax base of 4.2 percent. In 2006-07, the vendor credit was increased and the sales tax on motor fuel and diesel motor fuel was capped at eight cents per gallon. The exemption for items of clothing and footwear priced under $110 went back into effect April 1, 2006.

Table 1 sets forth historical information relating to Sales Tax receipts from State fiscal years 1997-98 through 2005-06, and an estimated amount for the 2006-07 fiscal year. Table 2 sets forth monthly Sales Tax receipts from the State's 1999-00 through 2005-06 fiscal years.

TABLE 1
Sales Tax Receipts[1]
(Thousands of Dollars)

State Fiscal Year	Net Receipts of Sales Tax	Net Receipts of 1% Sales Tax[2]	Annual Rate of Growth (%) (Decline)[3]
1997-98	$ 7,253,686	$1,813,422	4.07
1998-99	7,587,402	1,896,950	4.61
1999-2000	8,186,801	2,046,700	7.89
2000-01	8,363,467	2,090,667	2.15
2001-02	8,174,974	2,043,674	(2.25)
2002-03	8,434,104	2,106,477	3.07
2003-04	9,507,878	2,266,814	7.61[4]
2004-05	10,587,200	2,492,739	9.97[5]
2005-06[6]	10,592,500	2,614,600	4.89
2006-07[7]	10,252,200	2,566,400	(1.84)

Source: Division of the Budget.

(1) These amounts reflect receipts of the full amount of the sales and compensating use tax deposited in both the General Fund and the Tax Fund.

(2) Net of refunds.

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

(4) Reflects the temporary rate increase of 0.25 percent and the temporary suspension of the permanent clothing exemption, both effective June 1, 2003 and the loss in non-recurring EFT revenue gain of $33 million and the loss of $65 million in amnesty in the State's 2002-03 fiscal year.

(5) Reflects the full-year impact of the temporary rate increase and clothing legislation enacted in 2003-04.

(6) Reflects the postponement of the permanent exemption on clothes and footwear priced under $110.

(7) As estimated in the 2006-07 Enacted Budget.

TABLE 2
Monthly Sales Tax Receipts[1]
April 1, 1999 Through May 31, 2006
(Millions of Dollars)

MONTH	1999-00	%[2]	2000-01	%[2]	2001-02	%[2]	2002-03	%[2]	2003-04	%[2]	2004-05	%[2]	2005-06	%[2]	2006-07
APRIL	$613	8	$633	8	$587	7	$618	6	$599	6	$817	8	$791	7	741
MAY	552	7	564	7	604	7	589	6	615	6	753	7	804	8	727
JUNE	847	10	850	10	827	10	808	10	917	10	1,121	11	1,103	10	
JULY	607	8	690	8	676	8	671	7	716	8	814	8	822	8	
AUGUST	580	7	628	7	611	8	632	8	729	8	780	7	767	7	
SEPTEMBER	828	10	828	10	631	8	945	11	1,063	11	1,081	10	1,113	11	
OCTOBER	630	8	681	8	725	9	619	8	732	8	769	7	766	7	
NOVEMBER	597	7	642	8	635	8	604	8	713	7	769	7	771	7	
DECEMBER	902	11	796	10	825	10	873	11	1,070	11	1,130	11	1,062	10	
JANUARY	686	8	698	8	715	9	679	8	768	8	848	8	892	8	
FEBRUARY	512	6	512	6	519	6	542	7	634	7	663	6	695	7	
MARCH	833	10	841	10	820	10	854	10	952	10	1,042	10	1,007	10	
TOTAL	$8,187	100%	$8,363	100%	$8,175	100%	$8,434	100%	$9,508	100%	$10,587	100%	$10,593	100%	

Source: Division of the Budget.

(1) Amounts shown reflect receipts from the State's 4 percent (4.25 percent from June 1, 2003 to May 31, 2005) sales and compensating use taxes and reflect amounts received in both the General Fund and Tax Fund. Sales Tax receipts beginning June 2003 include additional tax collections from the quarter percent surcharge and the temporary suspension of the exemption on items of clothing and shoes under $110, both which became effective on June 1, 2003.

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

Estimated Debt Service Coverage

The following table sets forth (1) estimated receipts from the net Sales Tax collection for State's 2006-07 fiscal year, (2) estimated receipts from the 1 percent Sales Tax receipts for the State's 2006-07 fiscal year, (3) estimated maximum annual debt service on Outstanding Bonds of the Corporation and (4) resulting debt service coverage. There can be no assurance that actual Sales Tax collections will not be less than the amounts estimated for the 2006-07 fiscal year or that future debt service requirements will not exceed those shown, as a result of numerous factors affecting Sales Tax collections and the level of interest rates that cannot be predicted at this time.

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

2006-07 Fiscal Year Sales Tax Receipts	$10,252,200
2006-07 Fiscal Year 1% Sales Tax Receipts (1)	2,566,400
Maximum Annual Debt Service (2)	402,618
Debt Service Coverage	6.37

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(1) Net of approximately $14.95 million in collection expenses.

(2) Amounts include actual outstanding debt service for both senior and subordinate bonds. For Variable Interest Rate Bonds, "Maximum Annual Debt Service" includes interest on such Bonds at an assumed rate of 6% per annum, which includes related fees and expenses, for the Series 1993A Bonds, the Series 1994B Bonds and the Series 1995B-G Bonds (variable rate bonds for which no interest rate exchange agreements were entered) and 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds, for the Series 2003A Variable Rate Senior Bonds, the Series 2003A Variable Rate Subordinate Lien Bonds, and the 2004A Variable Rate Senior Bonds (for which interest rate exchange agreements were entered).

Legislation enacted in 2003 currently requires LGAC to certify, in addition to its own cash needs, for $170 million annually 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 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. The 2006-07 Enacted Budget includes a local assistance appropriation of $170 million from the Local Government Assistance Tax Fund to New York City.

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

Metropolitan Transportation Authority, Dedicated Tax Fund Bonds

"The MTA Dedicated Tax Fund Revenues"

This Subsection H contains information required to be updated relating solely to obligations issued by the Metropolitan Transportation Authority for Dedicated Tax Fund Bonds. Capitalized words used in this Subsection are defined as set forth in the related Official Statement.

The Metropolitan Transportation Authority (MTA) Dedicated Tax Fund Bonds: Series 1996A, Series 1998A, Series 1999A, and Series 2000A; MTA Commuter Facilities Subordinated Revenue Bonds, Series 1995-1 (Non-AMT) and 1995-2 (AMT) (Grand Central Terminal Redevelopment Project); MTA Transit Facilities Revenue Bonds Series 1996A, Transit Facilities 1987 Service Contract Bonds, Series 8, Transit Facilities Service Contract Bonds, Series Q and Series R; and MTA Commuter Facilities Revenue Bonds, Series 1996A, Commuter Facilities 1987 Service Contract Bonds, Series 8, Commuter Facilities Service Contract Bonds, Series Q and Series R; have been legally defeased and, therefore, the State Annual Information is no longer being provided.

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 information required to be updated relating solely to obligations issued by the New York State Thruway Authority for Highway and Bridge Trust Fund Bonds. Capitalized words used in this Subsection are defined as set forth in the related Official Statement.

SOURCES OF REVENUE FOR THE TRUST FUND

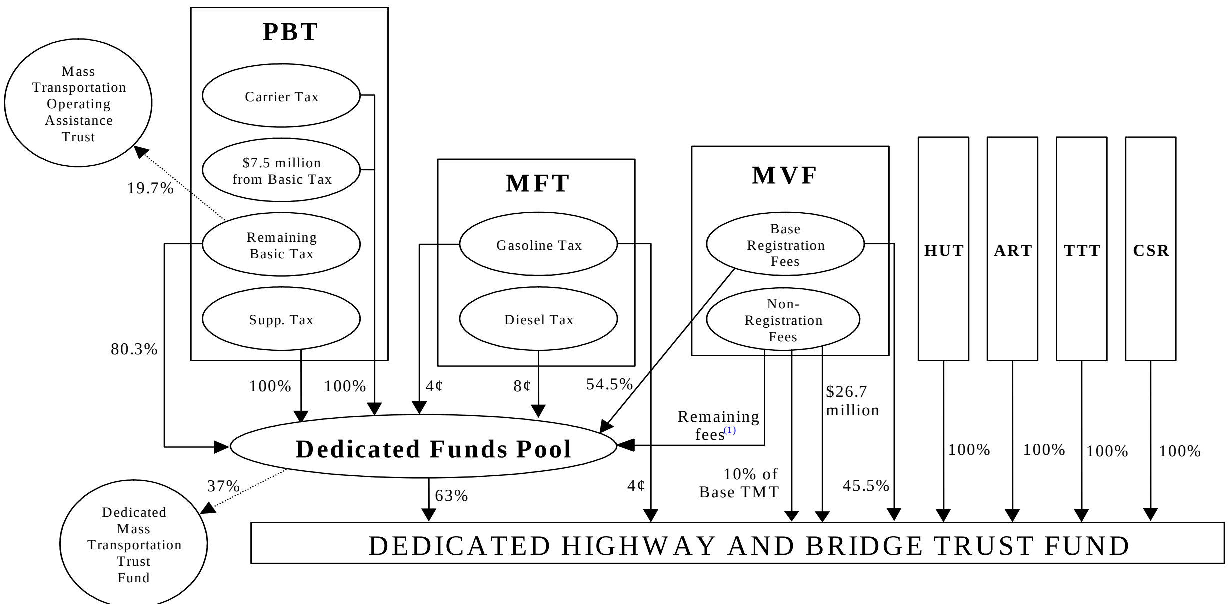
Introduction

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 State Fiscal Year 2006–07.

Transportation-Related Taxes & Fees Allocation

State Fiscal Year 2006–07, Enacted Budget



(1) Effective April 1, 2005, the 2005-06 Enacted Budget deposits all remaining non-registration motor vehicle fees into the Dedicated Funds Pool.

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. For State Fiscal Year 2002–03, most of the net PBT receipts from the basic tax and all of the supplemental tax were earmarked to the Dedicated Funds Pool. Since State Fiscal Year 1995–96, the Trust Fund has received 63 percent of the receipts earmarked to the Dedicated Funds Pool. In State Fiscal Year 1994–95, the Trust Fund received 34.5 percent of the Dedicated Funds Pool.

Dedicated motor fuel tax revenue earmarked to the Trust Fund has been derived from 100 percent of the receipts from four cents of the aggregate eight-cent-per-gallon excise tax levied with respect to gasoline and other non-diesel motor fuels, generally for highway use. Legislation adopted with the

2000–01 Enacted Budget earmarked, over time, 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 to the Dedicated Funds Pool. The Trust Fund receives 63 percent of receipts from the gasoline tax and diesel motor fuel tax which are deposited to the Dedicated Funds Pool.

All highway use tax revenues are earmarked to the Trust Fund and include three components: the truck mileage tax, the fuel use tax, and highway use permit fees. 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 common carriers and used while traveling on the public highways of the State. Highway use permits are required for operators of vehicles that are subject to the highway use tax.

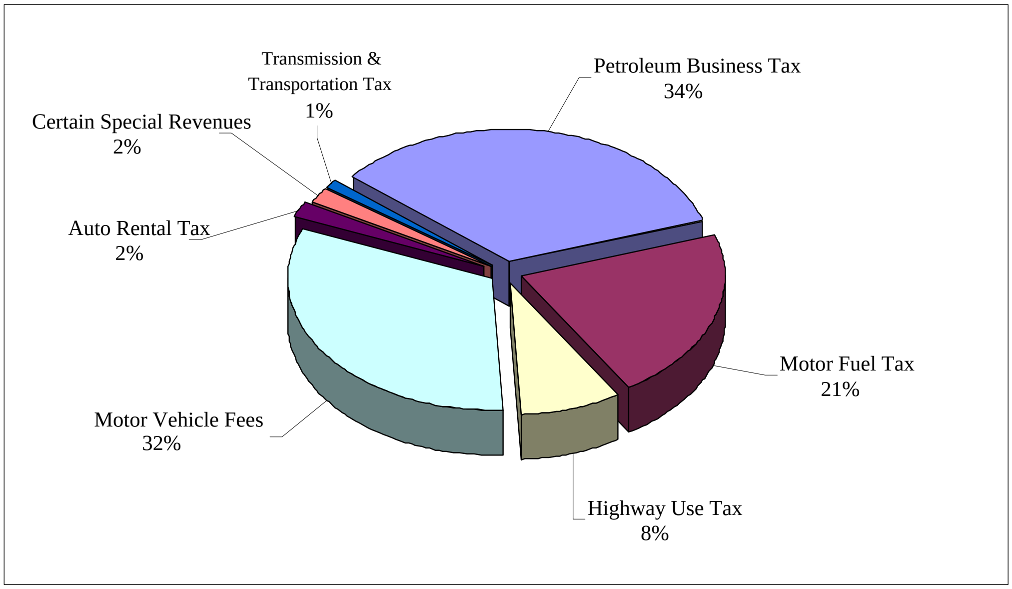
A large portion of the State's motor vehicle fees is earmarked to the Trust Fund. Motor vehicle fees are mainly derived from vehicle registration and driver licensing fees. Of the aggregate amount of motor vehicle registration fees, 45.5 percent is earmarked to the Trust Fund. The remaining 54.5 percent of the registration fees is earmarked to the Dedicated Funds Pool. The Trust Fund receives 63 percent of that share of motor vehicle fees. The State has directed additional moneys from non-registration motor vehicle fees to the Trust Fund since 2001–02. The 2005–06 Enacted Budget moved all remaining non-registration funds still deposited in the General Fund to the Dedicated Funds Pool, and earmarked revenues from proposed fee increase increments to the Dedicated Funds Pool.

The 2002–03 Enacted Budget directed all of the receipts collected from the auto rental tax to the Trust Fund, effective April 1, 2002. Currently, the State imposes a 5 percent tax on charges to certain rental passenger cars.

Currently, the State imposes a franchise tax on transmission and transportation companies under Sections 183 and 184 of the corporation and utilities taxes. The 2003–04 Enacted Budget directed the deposit of 20 percent of transmission and transportation taxes to the Trust Fund effective April 1, 2004. These deposits are scheduled to cease on March 31, 2010.

The following chart indicates the portion of State Fiscal Year 2006–07 Trust Fund Revenues that is estimated to be derived from each of the revenue sources.

Dedicated Highway and Bridge Trust Fund Revenue Sources
State Fiscal Year 2006–07*



* Estimated.

In State Fiscal Year 2004–05, automotive fuels accounted for approximately 81 percent of the PBT gallonage and 85 percent of the PBT revenues that were deposited in the Trust Fund. In that year, approximately 61 percent of total Trust Fund Revenues were derived from taxes on automotive fuels.

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 single largest source of revenues flowing to the Trust Fund is the business privilege tax imposed on petroleum businesses operating in the State. The base of the PBT is the quantity of various petroleum products refined or sold in the State or imported into the State for sale or use therein.

Tax Rates. Since 1990, the basic and supplemental PBT tax rates have been 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. Legislation adopted in 1994 maintained the 1992 rates through 1995 and provided that beginning January 1, 1996, the PBT rates would be adjusted annually subject to a maximum change of 5 percent of the current rate in any year. In addition to the 5 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 5 percent allowed under the statutory formula.

The table below shows the changes in the PPI for refined petroleum products since 1995–96 and the capped PBT index since 1997.

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)
1995–96	6.57	1997	5.00
1996–97	7.96	1998	5.00
1997–98	-18.60	1999	-5.00
1998–99	-7.85	2000	-5.00
1999–2000	55.84	2001	5.00
2000–01	13.08	2002	5.00
2001–02	-19.51	2003	-5.00
2002–03	27.01	2004	5.00
2003–04	12.93	2005	5.00
2004–05	35.09	2006	5.00
2005–06(a)	26.21	2007(a)	5.00

(a) Estimated.

The table below shows the rates per gallon for the PBT in effect for 2005 and 2006 and projected rates for 2007, respectively.

PETROLEUM BUSINESS TAX RATES FOR 2005 – 2007
(cents per gallon)

	2005			2006			2007*		
Petroleum Products	Base	Supp	Total	Base	Supp	Total	Base	Supp	Total
Automotive fuel									
Gasoline and other non-diesel	9.20	6.00	15.20	9.60	6.30	15.90	10.00	6.60	16.60
Diesel	9.20	4.25	13.45	9.60	4.55	14.15	10.00	14.85	14.85
Aviation gasoline	9.20	6.00	15.20	9.60	6.30	15.90	10.00	6.60	16.60
Net rate after credit	6.00	0.00	6.00	6.30	0.00	6.30	6.60	0.00	6.60
Kero-jet fuel	6.00	0.00	6.00	6.30	0.00	6.30	6.00	0.00	6.60
Non-automotive diesel fuels	8.20	6.00	14.20	8.60	6.30	14.90	9.00	6.60	15.60
Commercial gallonage after credit	8.20	0.00	8.20	8.60	0.00	8.60	9.00	0.00	9.00
Nonresidential heating after credit	4.40	0.00	4.40	4.60	0.00	4.60	4.90	0.00	4.90
Residual petroleum products	6.30	6.00	12.30	6.60	6.30	12.90	6.90	6.60	13.50
Commercial gallonage after credit	6.30	0.00	6.30	6.60	0.00	6.60	6.90	0.00	6.90
Nonresidential heating after credit	3.40	0.00	3.40	3.60	0.00	3.60	3.70	0.00	3.70
Railroad diesel fuel	9.20	4.25	13.45	9.60	4.55	14.15	10.00	4.85	14.85
Net rate after exemption/refund	7.90	0.00	7.90	8.30	0.00	8.30	8.70	0.00	8.70

* Projected — An estimated fuel price increase of 26.2 percent through August 2006 will result in an increase of 5 percent in the PBT index on January 1, 2007.

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 same as the PBT automotive gasoline and diesel rates listed above.

Legislative Changes. Legislation enacted in 1995, effective September 1, 1995, effectively eliminated the supplemental tax imposed on aviation gasoline and kero-jet fuels and reduced the basic tax rate for those products to a rate that is equivalent to the supplemental rate. To maintain the first import system, which imposes the PBT tax on aviation gasoline upon importation, and to allow retail sellers of aviation gasoline to sell such product at the reduced rate, distributors of aviation gasoline must remit the full tax imposed on that product and may subsequently take a credit for the difference between the full rate and the reduced rate. In addition, effective January 1, 1996, the partial exemption provided for heating fuel oils that are for the exclusive use and consumption of certain not-for-profit organizations was expanded to a full exemption. To preserve dedicated funds revenue flows, the new law increased the share of the basic tax going to the Dedicated Funds Pool from 59 percent to 62.8 percent, effective September 1, 1995, and to 63.3 percent effective April 1, 1996. These changes were designed to be revenue-neutral to the Dedicated Funds Pool.

Legislation enacted in 1996 expanded the partial exemption provided for residual and distillate fuels used in manufacturing to a full exemption, effective January 1, 1998. In addition, such legislation provided (i) rate reductions for diesel motor fuel used by motor vehicles, phased in on January 1, 1998 and April 1, 1999; (ii) a full exemption from the supplemental tax imposed on residual and distillate fuels used by the commercial sector for heating, effective March 1, 1997; (iii) a partial reduction in the basic tax and a full exemption from the supplemental tax imposed on diesel motor fuel used by railroads, effective January 1, 1997; and (iv) an increase in the credit against the basic tax for residual and distillate fuels used by utilities, effective April 1, 1999. Where applicable, the new rate structure maintains indexing by allowing the rates to be adjusted by the index and then subsequently reducing such rate, or increasing such credit, by a fixed cents-per-gallon rate. To preserve dedicated funds revenue flows, the 1996 legislation also increased the share of the basic tax going to the Dedicated Funds Pool from 63.3 percent to 66.2 percent, effective January 1, 1997; to 68.1 percent, effective January 1, 1998; and to 69.8 percent, effective April 1, 1999. Like the aforementioned changes made in 1995, these changes were designed to be revenue-neutral to the Dedicated Funds Pool.

Legislation enacted in 1999 reduced the PBT rate on commercial heating oil by 20 percent and provided for reimbursement of PBT imposed on fuels used for mining and extraction, effective April 1, 2001. To preserve dedicated funds revenue flows, the 1999 legislation increased the share of the basic tax going to the Dedicated Funds Pool from 69.8 percent to 70.5 percent, effective April 1, 2001. Like the aforementioned changes made in 1995 and 1996, these changes were designed to be revenue-neutral to the Dedicated Funds Pool.

Legislation adopted with the 2000–01 Enacted Budget eliminated the PBT minimum taxes, effective March 1, 2001, and reduced the PBT rate on commercial heating oil by 33 percent, effective September 1, 2002. To save the Trust Fund harmless from these tax cuts, the legislation earmarked certain motor vehicle registration fees to the Dedicated Funds Pool (see “Dedicated Motor Vehicle Fees” below). Legislation adopted with the 2000–01 Enacted Budget and effective April 1, 2001, also increased revenues flowing to the Trust Fund by earmarking $7.5 million of the PBT basic tax, which had been directed to the General Fund, to the Dedicated Funds Pool; increasing the percentage of the remaining basic tax receipts earmarked to the Dedicated Funds Pool from 70.5 percent to 80.3 percent; and depositing receipts from the PBT carrier tax to the Dedicated Funds Pool.

Legislation adopted with the 2004–05 Enacted Budget eliminated the PBT on fuels used for aircraft overflight and landing, effective November 1, 2004, and exempted fuel burned on takeoff by airlines operating non-stop flights between at least four cities in New York.

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 automotive fuels such as compressed natural gas, methanol and ethanol become subject to the tax on their first sale as motor fuel in the State. Automotive diesel motor fuel becomes taxed upon its first non-exempt sale or use in the State. Nonautomotive 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 now 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 State Fiscal Year 2005–06, 33 taxpayers, accounting for 93 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 from time to time been and may continue to be the subject of administrative claims and litigation by taxpayers.

Historical Summary of PBT Revenue. Since 1983, the State has substantially changed its taxation of petroleum businesses. These revisions altered collection mechanisms, modified tax bases, and increased the level of taxation. The most significant changes occurred in 1990 with the restructuring of a gross receipts tax to a cents-per-gallon tax and the indexing of the tax rates to maintain price sensitivity. Full-year revenue history under the gallonage-based PBT, therefore, only exists from State Fiscal Year 1991–92. Full-year collections of both the basic PBT and the supplemental PBT began in State Fiscal Year 1992–93.

The following table provides historical information since 1996–97 on the basic PBT and the supplemental PBT, the major funding source for the Trust Fund.

Basic and Supplemental PBT Collections
($ millions)

Collection Period State Fiscal Year	Basic PBT	Supplemental PBT
1996–97	$552.3	$371.7
1997–98	565.9	384.0
1998–99	602.0	409.9
1999–2000	587.2	398.0
2000–01	562.4	389.3
2001–02	635.7	347.4
2002–03	618.9	384.5
2003–04	674.2	358.3
2004–05	692.3	370.9
2005–06	735.0	389.4

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 State Fiscal Year 1996–97 reflect the index-driven rate increase of up to 5 percent, as offset by a slight decline in automotive fuel consumption and utility consumption of residual fuel after robust growth in these products in State Fiscal Year 1995–96, the full year effect of the 1995 tax reductions and the first year impact of the 1996 tax reductions.

Receipts for State Fiscal Year 1997–98 reflect more than 2 percent and 4 percent increases in gasoline and diesel consumption, respectively, while the return to a more moderate winter caused a decline in the consumption of residual fuel by utilities. Collections also reflect the annual indexing provisions that increased the 1996 rates by up to 5 percent on January 1, 1997 and the 1997 rates by up to 5 percent on January 1, 1998, and the impact of the 1996 legislative changes, as described above.

The healthy economy and low fuel prices produced an increase in New York State gasoline consumption of nearly 3 percent and diesel consumption of more than 8 percent in State Fiscal Year 1998–99. The consumption of residual fuel for utilities grew dramatically in State Fiscal Year 1998–99 due to lower residual fuel prices relative to natural gas. PBT receipts for State Fiscal Year 1998–99 also reflect the annual indexing provisions that increased the 1997 rates by up to 5 percent on January 1, 1998 and that decreased the 1998 rates by up to 5 percent on January 1, 1999.

Continued economic growth contributed to an increase in New York State motor gasoline and diesel consumption in State Fiscal Year 1999–2000. Consumption growth would have likely been even greater, absent higher fuel prices. Collections also reflect the annual indexing provisions that reduced PBT tax rates by up to 5 percent on January 1, 1999 and January 1, 2000. PBT receipts in 1999–2000 also reflect the impact of legislation enacted in 1996 that reduced tax rates on diesel motor fuel and fuels used for utilities, effective April 1, 1999.

Tax receipts in State Fiscal Year 2000–01 were lower than in State Fiscal Year 1999–2000 mainly due to the economic slowdown and high fuel prices. However, tax receipts from residual fuel used by utilities were higher due to the decrease in the relative price of residual fuel compared to natural gas. Tax collections for State Fiscal Year 2000–01 also reflect the 5 percent decrease in PBT rates that took effect on January 1, 2000, and the 5 percent increase effective January 1, 2001.

Receipts for State Fiscal Year 2001–02 reflect more than a 1 percent increase in gasoline consumption. Diesel consumption declined about 10 percent due to the economic slowdown. Aviation fuel consumption dropped more than 23 percent in the later half of the year due to the terrorist attack on the World Trade Center in New York City on September 11, 2001. Receipts from residual fuel used by utilities declined due to the warm winter. Collections also reflect the 5 percent increase in PBT rates effective January 1, 2001 and another 5 percent increase effective January 1, 2002, and $19.3 million from the carrier tax.

Receipts for State Fiscal Year 2002–03 reflect the 5 percent increase in PBT rates effective January 1, 2002, and the 5 percent decline effective January 1, 2003. Collections also include $20.2 million from the carrier tax.

Receipts for State Fiscal Year 2003–04 increased significantly over State Fiscal Year 2002–03. The main reason for the increase was the decrease in the relative price of residual fuel compared to natural gas. Tax collections for State Fiscal Year 2003–04 also reflect the 5 percent decline in PBT rates effective January 1, 2003 and the 5 percent increase effective January 1, 2004. Total collections include $19.9 million from the carrier tax.

Receipts for State Fiscal Year 2004–05 increased over State Fiscal Year 2003–04. The collections reflect the 5 percent increase in PBT rates effective January 1, 2004 and another 5 percent increase effective January 1, 2005. The collections also reflect strong growth in diesel receipts. Total collections include $21.9 million from the carrier tax.

Receipts for State Fiscal Year 2005–06 increased over State Fiscal Year 2004–05. The collections reflect the 5 percent increase in PBT rates effective January 1, 2005 and another 5 percent increase effective January 1, 2006. Total collections include $21.6 million from the carrier tax.

Actual and Estimated Revenues from Dedicated PBT. Actual receipts since State Fiscal Year 1996–97 and the Division of the Budget's (DOB's) estimate of receipts from the dedicated PBT for State Fiscal Year 2006–07 are as set forth in the following table:

Trust Fund Revenues from PBT

State Fiscal Year	Dedicated Funds Pool ($ millions)	Trust Fund Revenue ($ millions)	Trust Fund Share
1996–97	$ 720.7	$454.1	63.0 %
1997–98	756.4	476.5	63.0
1998–99	814.8	513.3	63.0
1999–2000	802.7	505.7	63.0
2000–01	776.7	489.3	63.0
2001–02	878.7	553.6	63.0
2002–03	901.7	568.1	63.0
2003–04	921.1	580.3	63.0
2004–05	950.2	598.6	63.0
2005–06	1,002.4	631.5	63.0
2006–07(a)	1,043.2	657.2	63.0

(a) Estimated.

The estimate reflects the 2006–07 Enacted Budget. In formulating its estimate for State Fiscal Year 2006–07, 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 increased the rates by 5 percent on January 1, 2006, and that are expected to increase the rates by 5 percent on January 1, 2007.

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.

After automotive fuels (gasoline and diesel motor fuel), residual fuel used in the generation of electricity by public utilities in the State is the second largest source of PBT revenues. Electric utility use of residual fuel oil now accounts for more than 5 percent of dedicated PBT receipts. Residual fuel use is projected to remain unchanged in 2006–07.

The balance of the tax consists of tax paid with respect to commercial usage of nonautomotive diesel fuel (middle distillate No. 2) and residual fuel oils (Nos. 4, 5 and 6 oils) and kero-jet fuel. The forecast anticipates that total tax collections from these fuels will change slightly in 2006–07. The estimated receipts include $23.0 million in 2006–07 from the carrier tax.

The estimate also reflects the 2004–05 Enacted Budget, which exempted the PBT rates on certain aviation fuels. This legislative change will reduce the Trust Fund by an estimated $2.7 million in 2006–07.

Legislation adopted with the 2006–07 Enacted Budget provided a partial or full exemption for alternative fuels from the PBT. The financial impact to the Highway and Bridge Trust Fund is minimal.

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 was last changed on February 1, 1972, when it was increased from seven cents to eight cents per gallon. The aggregate rate of tax on diesel motor fuel was last changed on January 1, 1996 when it decreased from ten cents to eight cents per gallon.

Prior to April 1, 2000, the MFT revenue earmarked to the Trust Fund was derived from four cents of the aggregate eight-cent-per-gallon tax on gasoline and other non-diesel motor fuels. Effective April 1, 2000, legislation enacted in 2000 earmarked two and one-quarter cents of the gasoline MFT and four cents of the diesel MFT to the Dedicated Funds Pool, of which 63 percent is deposited in the Trust Fund. Effective April 1, 2001, legislation enacted in 2000 earmarked an additional two-and one-quarter cents of the aggregate eight-cent-per-gallon tax on diesel fuel to the Dedicated Funds Pool, of which 63 percent is deposited in the Trust Fund. Effective April 1, 2003, legislation adopted with the 2000–01 Enacted Budget earmarks the one and three-quarters cents tax on both gasoline and diesel motor fuels to the Dedicated Funds Pool.

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 yearly MFT and PBT liability totaling more than $5 million remit the PBT and MFT 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. In State Fiscal Year 2005–06, 96 percent of the MFT was paid by 33 taxpayers that participated in the electronic funds transfer program.

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 1996–97 and DOB estimates of Trust Fund receipts from the gasoline and diesel MFT for State Fiscal Year 2006–07 are set forth in the following table:

Trust Fund Revenues From MFT
($ millions)

State Fiscal Year	4 Cents/Gallon Gasoline MFT	Additional Revenue Gasoline MFT[(a)]	Revenue from Diesel MFT[(a)]	Total Revenues
1996–97	$210.8	—	—	$210.8
1997–98	218.9	—	—	218.9
1998–99	221.3	—	—	221.3
1999–2000	225.4	—	—	225.4
2000–01	224.4	$79.5(b)	$19.4(c)	323.3
2001–02	215.5	76.3	28.8(d)	320.6
2002–03	239.4	84.8	32.0	356.2
2003–04	231.4	145.8(e)	33.2(f)	410.4
2004–05	231.7	146.0	41.8	419.5
2005–06(g)	230.9	146.9	42.0	419.8
2006–07(h)	228.3	145.3	41.4	415.0

(a) 63 percent of the MFT earmarked to the Dedicated Funds Pool is deposited in the Trust Fund.
(b) An additional 2.25 cents per gallon was earmarked to the Dedicated Funds Pool in 2000–01.
(c) 4 cents per gallon was earmarked to the Dedicated Funds Pool in 2000–01.
(d) An additional 2.25 cents per gallon was earmarked to the Dedicated Funds Pool in 2001–02.
(e) 4 cents per gallon is earmarked to the Dedicated Funds Pool in 2003–04 and thereafter.
(f) 8 cents per gallon is earmarked to the Dedicated Funds Pool in 2003–04 and thereafter.
(g) Includes one-time big audit receipts.
(h) Estimated.

In formulating the gasoline motor fuel tax estimate, 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 projected to increase slightly in State Fiscal Year 2006–07.

To develop the diesel MFT estimate, DOB relied primarily on its own forecasts of State economic conditions, as reflected in State disposable personal income. Diesel consumption is estimated to increase in State Fiscal Year 2006–07.

Legislation adopted with the 2006–07 Enacted Budget provided a partial or full exemption for alternative fuels from the MFT. The financial impact to the Highway and Bridge Trust Fund is minimal.

Highway Use Tax

General. The highway use tax includes three components: the truck mileage tax, the fuel use tax, and highway use permit fees. All HUT receipts are earmarked to the Trust Fund.

Since 1951, the truck mileage tax has been levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds. In 1961, the State gave 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.

Legislation enacted in 1994 reduced the truck mileage tax rates imposed on New York State Thruway mileage by one-half on January 1, 1995, and eliminated Thruway mileage from the tax effective January 1, 1996.

Legislation enacted in 1998 reduced the truck mileage tax by 25 percent, effective January 1, 1999, and increased the percentage of motor vehicle registration fees flowing to the Trust Fund to save the Fund harmless from this and other tax and fee reductions and to increase the flow of funds to the Trust Fund by approximately $25 million.

Effective April 1, 2001, legislation adopted with the 2000–01 Enacted Budget reduced the supplemental truck mileage tax by 20 percent. To save the Trust Fund harmless, legislation enacted with the Budget also increased the flow of motor vehicle fees to the Trust Fund (See "Dedicated Motor Vehicle Fees" below).

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 1994 legislation enabled the State to join the federally mandated International Fuel Tax Agreement ("IFTA") on January 1, 1996. 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. Under IFTA, jurisdictions may impose a fuel use tax only on vehicles with gross weights of over 26,000 pounds or with three or more axles. New York's law required the fuel tax on vehicles with gross weights of over 18,000 pounds. Therefore, on and after January 1, 1996, the State fuel use tax no longer applied to vehicles that weigh between 18,000 and 26,000 pounds. To avert a loss in revenues flowing to the Trust Fund due to the 1994 legislative changes in truck mileage and fuel use taxes, that legislation increased the percentage of motor vehicle registration fees flowing to the Trust Fund from 13 percent to 17 percent on January 1, 1995 and to 20 percent on January 1, 1996.

Highway use permits, currently issued at three-year intervals, must be purchased by operators of vehicles subject to the highway use tax. However, motor carriers may purchase special single-trip permits that exempt them from truck mileage and fuel use taxes for a 72-hour period (limited to 10 per calendar year). Under IFTA, truckers still are required to obtain a permit and may use single-trip permits. However, IFTA requires truckers to purchase decals from their base state annually, for each vehicle operated. Truckers that elect New York as their base state purchase such decals from New York.

Actual and Estimated Revenues from Highway Use Tax. The table below shows actual receipts since State Fiscal Year 1996–97 and DOB estimate of HUT receipts for State Fiscal Year 2006–07. The estimate reflects the 2006–07 Enacted Budget. The estimate is based upon forecasts of national and State economic conditions and motor fuel prices.

Trust Fund Revenues From HUT

State Fiscal Year	Revenues ($ millions)
1996–97	$157.3
1997–98	164.8
1998–99	168.7
1999–2000	150.2
2000–01	155.1
2001–02	148.3
2002–03	146.8
2003–04	146.6
2004–05	151.4
2005–06	160.2
2006–07(a)	161.6

(a) Estimated.

Legislation adopted with the 2006–07 Enacted Budget capped sales tax on motor fuel and diesel motor fuel at eight cents per gallon. This change will slightly reduce the receipts from the fuel use tax sales tax component.

Legislation adopted with the 2006–07 Enacted Budget also provided a partial or full exemption for alternative fuels form the fuel use tax. The financial impact to the Highway and Bridge Trust Fund is minimal.

Dedicated Motor Vehicle Fees

General. Motor vehicle fees are derived from a variety of sources, but consist mainly of vehicle registration and driver licensing fees.

A percentage of State motor vehicle registration fees is earmarked to the Trust Fund. These motor vehicle fees derive from the registration of passenger vehicles, trucks, vans, motorcycles, trailers, semitrailers, buses, and other types of vehicles operating on the public highways of the State.

The State Department of Motor Vehicles administers motor vehicle registration provisions of the State Vehicle and Traffic Law. County clerks in most counties act as agents for the State in administering the issuance of most types of motor vehicle registration. Motor vehicle registration renewals generally are accomplished by mail.

With the exceptions of buses, which are charged according to seating capacity, and semitrailers, which are currently registered at a flat fee of $23, motor vehicle registration fees in the State are currently based on vehicle weight. Since July 1, 1998 passenger vehicles are registered at graduated annual rates of 64.5 cents per 100 lbs. up to 3,500 lbs., and 97 cents for each 100 lbs. over 3,500 lbs., with a maximum yearly registration fee of $56.06. The yearly registration fee for trucks and light delivery vehicles is $2.88 per 500 lbs. of maximum gross weight. Tractors are registered at an annual fee of $1.21 per 100 lbs. of maximum gross weight. Motorcycles, snowmobiles, all-terrain vehicles, ambulances, trucks used exclusively in the transportation of household goods, and other specialized vehicles have separate registration fee schedules.

Legislation enacted in 1989 mandated biennial registration of all motor vehicles weighing less than 18,000 lbs. Thus, most motor vehicle registrations are issued and renewed for two-year periods; registrations are staggered evenly throughout the months to ensure an even workload.

To avert a loss in revenues flowing to the Trust Fund as a result of reducing and eliminating the truck mileage tax imposed on Thruway mileage, 1994 legislation increased the percentage of motor vehicle registration fees flowing to the Trust Fund from 13 percent to 17 percent on January 1, 1995, and to 20 percent on and after January 1, 1996.

Legislation which was enacted with the State's 1997–98 budget eliminated certain refunds of registration fees. It was later repealed, making refunds available again.

Legislation enacted with the State's 1998–99 budget reduced the registration fees for passenger vehicles by 25 percent, starting July 1, 1998 (see above), and increased the county clerk's retention as payment for collecting these fees. Both to hold the Trust Fund harmless from this reduction and to increase the flow of revenue to the Trust Fund by approximately $25 million, legislation enacted with the 1998–99 budget increased the percentage of registration fees earmarked to the Trust Fund to 28 percent, effective April 1, 1998, and to 34 percent, effective July 1, 1998. Also, to save the Trust Fund harmless from the 25 percent reduction of the truck mileage tax, such legislation increased the percentage of registration fees earmarked to the Trust Fund to 45.5 percent, effective February 1, 1999.

Legislation enacted in 1999 increased county clerks' retention fees from 9.3 percent to 12.7 percent, effective April 1, 1999.

To increase the amount of revenues flowing to the Trust Fund and to save the Trust Fund harmless from the PBT tax cuts enacted in 2000, legislation enacted with the 2000–01 State Budget earmarked the remaining 54.5 percent of motor vehicle registration fees to the Dedicated Funds Pool. The Trust Fund will receive 63 percent of such motor vehicle fees. Effective April 1, 2001, 23.5 percent of certain motor vehicle registration fees were deposited to the Dedicated Funds Pool. That percentage increased to 54.5 percent effective April 1, 2002.

In addition, legislation enacted with the 2000–01 Enacted Budget directed the State Comptroller to deposit the following amounts of non-registration motor vehicle fees to the Dedicated Funds Pool.

Additional Other Motor Vehicle Fee Deposits[(a)]
($ millions)

State Fiscal Year	Dedicated Funds Pool	Trust Fund Share
2002–03	$28.4	$17.9
2003–04	67.9	42.8
2004–05	170.1	107.2

(a) The 2005–06 Enacted Budget replaced the "$170.1 million" in the statute with "all remaining non-registration fees".

Effective April 1, 2001, to save harmless the Trust Fund from the 20 percent reduction of the supplemental truck mileage tax, legislation enacted with the 2000–01 State Budget also directed an amount of non-registration motor vehicle fees to be deposited in the Trust Fund. The amount is equal to 10 percent of the base truck mileage tax. See "Highway Use Tax" above.

Legislation enacted with the 2001–02 State Budget directed the deposit of $169 million of non-registration motor vehicle fee revenues to the Trust Fund in State Fiscal Year 2001–02. Legislation enacted with the 2002–03 State Budget redirected $171.6 million of non-registration motor vehicle fees to the Trust Fund in State Fiscal Year 2002–03 and $152.7 million in State Fiscal Year 2003–04.

The 2003–04 Enacted Budget directed $170.1 million of additional other motor vehicle fees to the Dedicated Funds Pool in State Fiscal Year 2004–05 and thereafter and directed $59.9 million from the

General Fund to the Trust Fund in State Fiscal Year 2004–05. It also increased the certificate of vehicle sale fee (estimated to be $12.0 million), the original title application fee (estimated to be $14.7 million), and the vehicle safety inspection fee (estimated to be $21.2 million) in State Fiscal Years 2004–05 and thereafter for deposit to the Trust Fund.

The 2005–06 Enacted Budget moved all remaining non-registration funds still deposited into the General Fund to the Dedicated Funds Pool, effective April 1, 2005. The 2005–06 Enacted Budget increased certain non-registration fees, including title fees estimated to be $39.4 million in 2005–06 and $78.8 million thereafter. Revenues from these fee increases will be deposited in the Dedicated Funds Pool in 2005–06 and thereafter.

Actual and Estimated Revenues from Motor Vehicle Fees. DOB has estimated the number of registered passenger and commercial motor vehicles, corresponding registration fees, and other motor vehicle fees for State Fiscal Year 2006–07. The estimate reflects the State's 2006–07 Enacted Budget. The estimate is based upon national new automobile sales, New York State economic conditions, and registration renewal cycles in the State and the increased allocation to the Trust Fund described above.

Trust Fund Revenues From MVF

State Fiscal Year	Motor Vehicles Registered (millions)	Revenues ($ millions)
1996–97	11.6	$71.4(a)
1997–98	11.7	73.1
1998–99	11.8	108.2(b)
1999–2000	12.4	129.9(b)
2000–01	12.2	157.3
2001–02	12.8	370.6(c)(d)
2002–03	12.4	469.9(e)
2003–04	12.6	468.1(f)
2004–05	12.3	524.5(g)
2005–06	12.6	556.1(h)
2006–07(i)	12.3	622.9

(a) Reflects legislation adopted with the 1994–95 State Budget which increased the percentage of motor vehicle registration fees flowing to the Trust Fund from 17 percent to 20 percent on January 1, 1996.

(b) Reflects legislation enacted with the 1998–99 State Budget which increased the percentage of motor vehicle registration fees flowing to the Trust Fund from 20 percent to 28 percent on April 1, 1998; to 34 percent on July 1, 1998; and to 45.5 percent on February 1, 1999.

(c) Reflects legislation enacted with the 2000–01 State Budget which dedicated 23.5 percent of motor vehicle registration fees to the Dedicated Funds Pool effective April 1, 2001 and an additional 31 percent of such receipts effective April 1, 2002 and which dedicated an amount of other motor vehicle fees equal to 10 percent of the base truck mileage tax to the Trust Fund.

(d) Reflects legislation enacted with the 2001–02 State Budget that dedicated $169 million of additional other motor vehicle fees.

(e) Reflects legislation enacted with the 2002–03 State Budget which dedicated $171.6 million of additional other motor vehicle fees.

(f) Reflects legislation enacted with the 2002–03 State Budget which dedicated $152.7 million of additional other motor vehicle fees.

(g) Reflects legislation enacted with the 2003–04 State Budget which (1) directed $170.1 million of additional other motor vehicle fees to the Dedicated Funds Pool in State Fiscal Year 2004–05 and thereafter; (2) directed $59.9 million from the General Fund to the Trust Fund in State Fiscal Year 2004–05; and (3) increased the certificate of vehicle sale fee (projected to be $12.0 million), the original title application fee (projected to be $14.7 million) and the vehicle safety inspection fee (projected to be $21.2 million) in State Fiscal Year 2004–05 and thereafter. The increased portion of these receipts will be deposited to the Trust Fund.

(h) Reflects the 2005–06 Enacted Budget which (1) moved all remaining non-registration fees still deposited in the General Fund to the Dedicated Funds Pool; and (2) increased certain non-registration fees, and provided that all these fee increments be deposited to the Dedicated Funds Pool.

(i) Estimated.

Auto Rental Tax

The State imposes an auto rental tax on any rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less that has seating capacity for nine or fewer passengers. The current tax rate is 5 percent on charges for the rental. Legislation enacted with the 2002–03 State Budget increased the amount of revenue that flows to the Trust Fund by shifting the auto rental tax receipts from the General Fund to the Trust Fund, effective April 1, 2002.

Auto Rental Tax

State Fiscal Year	Revenues ($ millions)
1996–97	$31.0
1997–98	32.0
1998–99	34.2
1999–2000	38.8
2000–01	38.9
2001–02	37.9
2002–03	37.2
2003–04	38.6
2004–05	39.8
2005–06	42.3
2006–07(a)	44.9

(a) Estimated.

Transmission and Transportation Taxes

The State imposes franchise taxes on transmission and transportation companies doing business in New York 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. The 2003–04 Enacted Budget increased the flow of funds to the Dedicated Highway and Bridge Trust Fund by shifting 20 percent of receipts from the transmission and transportation taxes from the General Fund, effective April 1, 2004. The 2005–06 Enacted Budget continued these additional deposits through March 31, 2010. As of April 1, 2004, 80 percent of transmission and transportation taxes will be deposited into the Mass Transportation Operating Assistance Fund (“MTOAF”), with the remaining amounts deposited into the Trust Fund. In State Fiscal Year 2003–04, $57.4 million was deposited into the MTOAF, and $14.4 million into the General Fund. Receipts were $64.5 million for the MTOAF in State Fiscal Year 2004–05, and $16.1 million for the Trust Fund. In State Fiscal Year 2005–06, receipts were $73.6 million for the MTOAF, and $18.4 million for the Trust Fund. In State Fiscal Year 2006–07, receipts are estimated at $68.1 million for the MTOAF, and $17.0 million for the Trust Fund.

Certain Special Revenues

Since April 1, 1999, certain transportation-related fees and charges have been deposited in the Dedicated Highway and Bridge Trust Fund. Prior to 1999–2000, these transportation-related fees were deposited to the credit of four State special revenue funds. The 1999–2000 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, the sale of maps, and miscellaneous other transportation-related fees. These fees have been deposited directly in the Trust Fund since the 2000–01 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.

The 2003–04 Enacted Budget moved receipts from State Department of Motor Vehicles ("DMV") data search fees ($50.0 million) from the General Fund to the Trust Fund, effective April 1, 2003. The 2003–04 Enacted Budget also increased data search fees effective April 1, 2004; the additional receipts have been deposited into the Trust Fund since April 1, 2004. The 2003–04 Enacted Budget also moved certain DMV safety inspection fees ($21.2 million) from a special revenue fund to the Trust Fund, effective April 1, 2004. These additional deposits were scheduled to cease on March 31, 2006. The 2005–06 Enacted Budget extended these deposits to March 31, 2010.

The 2004–05 Enacted Budget increased overweight truck fees, which were estimated to bring in an additional $0.8 million in State Fiscal Year 2004–05, and $1.5 million per year thereafter.

The 2006–07 Enacted Budget dedicated DMV fee increases of $3.6 million for the driver responsibility program.

Certain Special Revenues

State Fiscal Year	Revenues ($ millions)
1996–97	$14.8
1997–98	15.3
1998–99	16.3
1999–2000(a)	18.7
2000–01	18.4
2001–02	19.7
2002–03	18.9
2003–04(b)	64.7
2004–05(c)	81.2
2005–06(d)	20.7
2006–07(e)(f)	28.5

(a) This amount does not include $3.3 million of special revenue fund balances representing collections for prior years that were also transferred to the Trust Fund upon termination of those funds.

(b) The 2003–04 Enacted Budget deposited $50.0 million to the Trust Fund from DMV data search fees, increasing by $11 million effective April 1, 2004.

(c) The 2004–05 Enacted Budget increased overweight truck fees by $0.8 million ($1.5 million each year thereafter).

(d) Beginning with the 2005–06 State fiscal year, all pre-existing DMV fees were characterized as Motor Vehicle Fees.

(e) Estimated.

(f) The 2006–07 Enacted Budget increased DMV driver responsibility fees by $3.6 million, reflected here.

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)

State Fiscal Year	PBT	MFT	HUT	MVF	ART	TTT	CSR	Total
1996–97	$454.1	$210.8	$157.3	$71.4	—	—	—	$893.6
1997–98	476.5	218.9	164.8	73.1	—	—	—	933.3
1998–99	513.3	221.3	168.7	108.2	—	—	—	1,011.5
1999–2000	505.7	225.4	150.2	129.9	—	—	$18.7	1,029.9
2000–01	489.3	323.3	155.1	157.3	—	—	18.4	1,143.4
2001–02	553.6	320.6	148.3	370.6	—	—	19.7	1,412.8
2002–03	568.1	356.2	146.8	469.9	$37.2	—	18.9	1,597.1
2003–04	580.3	410.4	146.6	468.1	38.6	—	64.7	1,708.7
2004–05	598.6	419.5	151.4	524.5	39.8	$16.1	81.2	1,831.1
2005–06	631.5	419.8	160.2	556.1	42.3	18.4	20.7	1,848.7
2006–07(a)	657.2	415.0	161.6	622.9	44.9	17.0	28.5	1,947.1

(a) Estimated.

Factors Affecting Trust Fund Revenues

The discussion above has generally covered receipts since State Fiscal Year 1996–97. Trust Fund receipts should also be viewed from a long term perspective.

An examination of historical data for the calendar years 1971 through 2005 by Division of Budget suggests that the revenues that would have flowed to the Trust Fund would have been affected positively or negatively by factors which include 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 (1973–1975), the Persian Gulf War (1990–1991), the terrorist attacks on September 11, 2001 and the war in Iraq; (8) variations in climate and in the price of natural gas relative to certain competing taxable petroleum products, which primarily affect the consumption of taxable petroleum products by utilities; (9) environmental pressures to reduce acid rain through reduction of sulfur dioxide emissions from facilities burning fossil fuels; (10) the shift in the State from a manufacturing-based to service-based economy; (11) State and Federal initiatives encouraging energy efficiency and environmental protection; (12) impact of utility deregulation on Statewide supply and demand of electricity; and (13) tax evasion and Federal and State enforcement measures.

Historically, the price of refined petroleum products has tended to increase over the long-term. An examination of the factors mentioned above over the period covered by the historical data demonstrates that even relatively sharp price increases have not had a permanent adverse effect on motor fuel consumption levels. Furthermore, the impact of higher prices on motor fuel consumption (by far the largest component of Trust Fund receipts) is relatively limited. The data suggest that short-term demand is relatively inelastic in the face of price changes, and that motor fuel tax collections have thus been relatively stable, compared with the price of refined petroleum products.

General economic conditions also have an impact upon fuel consumption. During recessions, motor fuel consumption declines as business activity slows. Motor fuel consumption, however, recovers and begins to grow during periods of economic strength. In general, motor fuel tax collections flowing to the Trust Fund have remained relatively constant over the period covered by the historical data. The PBT, being affected by both price and quantity changes, shows somewhat more variability. Although the bulk of the interval covered by the historical data is marked by growth, there were periods when the revenue effects of changes in consumption were offset by price changes.

Likewise, motor vehicle registration fee receipts have been primarily influenced over the period covered by the historical data by population, economic conditions, and statutory changes. Over the period covered by the historical data, motor vehicle registration fees would have provided a modestly growing source of revenue for the Trust Fund.

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 (MCFFA), Mental Health Services Facilities Improvement Revenue Bonds and Dormitory Authority of the State of New York (DA), Mental Health Services Facilities Improvement Revenue Bonds

"Department of Mental Hygiene"

This Subsection J contains information required to be updated relating solely to obligations issued by the Dormitory Authority of the State of New York for Mental Health Services Facilities Improvement Revenue Bonds. Capitalized words used in this Subsection are defined as set forth in the related Official Statement.

THE DEPARTMENT

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:

- The Office of Mental Health ("OMH");
- The Office of Mental Retardation and Developmental Disabilities ("OMRDD"); and
- 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

OMH is responsible for facilitating the prevention and early detection of mental illness and the development of a comprehensive system of care, treatment and rehabilitation for the mentally ill. 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 25 State psychiatric centers, including 16 facilities for adults, 6 for children and 3 for forensic patients, and several small community and residential care facilities. 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 its capacity as a regulator, OMH oversees clinical and residential care provided by over 1,100 community agencies and hospitals. In connection with the foregoing, OMH is responsible for, among other things, the regulation and licensing of certain of the Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain of the Voluntary Agency facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes, among other things, participation in the determination as to 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 Prior Authority Bonds (as defined in applicable OS) are subject to the approval of the State Division of the Budget.

Office of Mental Retardation and Developmental Disabilities

OMRDD is charged with developing a comprehensive, cost-effective and integrated system of services to serve the full range of needs of mentally retarded and developmentally disabled persons. OMRDD operates through 14 service districts, which administer community-based and, where applicable, institutionally-based, service programs for persons with mental retardation and 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 program, funded and regulated by OMRDD, reflects the cooperative efforts of local governments, voluntary not-for-profit service providers and OMRDD 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. In connection with the foregoing, OMRDD is responsible for, among other things, the regulation and licensing of certain of the Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain of the Voluntary Agency mental health services facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes, among other things, participation in the determination as to 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 Voluntary Agency mental health services facilities financed with proceeds of the Prior Authority Bonds are subject to the approval of the State Division of the Budget.

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, treatment, rehabilitation, education and training of persons who abuse or are dependent on alcohol and/or substances and their families. OASAS currently operates 13 inpatient Addiction Treatment Centers ("ATCs") providing intensive chemical dependence rehabilitation services to an estimated 9,500 patients in State Fiscal Year 2006-07. 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 a network of approximately 1,300 drug and alcohol treatment programs that provide a continuum of care ranging from short-stay detoxification centers to long-term drug and alcohol-free residential communities. In connection with the foregoing, OASAS is responsible for, among other things, the regulation and licensing of certain of the Voluntary Agency Facilities financed with the proceeds of the Bonds as well as certain of the Voluntary Agency mental health services facilities financed with the proceeds of the Prior Authority Bonds. Such regulation and licensing includes, among other things, participation in the determination as to 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 Voluntary Agency mental health services facilities financed with proceeds of the Prior Authority Bonds are subject to the approval of the State Division of the Budget.

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

Children's Psychiatric Centers

Bronx Children's Psychiatric Center
Brooklyn Children's Psychiatric Center
Queens Children's Psychiatric Center
Rockland Children's Psychiatric Center
Sagamore Children's Psychiatric Center
Western New York Children's Psychiatric Center

Forensic Facilities

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

Research Facilities

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

Office of Mental Retardation and Developmental Disabilities

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	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	Valley Ridge Center for Intensive Treatment
Hudson Valley Developmental Disabilities Services Office	Western New York Developmental Disabilities Services Office

Other Facility

Institute for Basic Research in Developmental Disabilities

Office of Alcoholism and Substance Abuse Services

Addiction Treatment Centers

Bronx Addiction Treatment Center	McPike Addiction Treatment Center
C.K. Post Addiction Treatment Center	R.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
J.L. Norris Addiction Treatment Center	St. Lawrence Addiction Treatment Center
Kingsboro Addiction Treatment Center	Stutzman Addiction Treatment Center
Manhattan Addiction Treatment Center	

Population

Office of Mental Health

OMH's five-year "Statewide Comprehensive Plan for Mental Health Services 2006-2010" presents the programmatic and fiscal strategy of implementing an integrated, community-based system of care. To achieve OMH's aim of providing community-based services whenever possible and psychiatric inpatient hospitalization when necessary, 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. Also, in an effort to enhance efficiency and streamline operations, the Middletown Psychiatric Center closed, effective April 1, 2006. All inpatient beds at Middletown were moved to Rockland Psychiatric Center.

In State Fiscal Year 2006-07 OMH plans to staff and operate 4,030 beds in adult psychiatric centers. In addition, OMH will continue to operate a capacity of approximately 526 children's beds and approximately 695 forensic beds. In addition, OMH expects to operate up to 270 newly developed inpatient beds for the civil commitment of sexually violent predators.

Office of Mental Retardation and Developmental Disabilities

Consistent with its comprehensive Five-Year Plan, OMRDD serves a diverse population of developmentally disabled individuals including persons with cerebral palsy, autism, epilepsy and learning disabilities. OMRDD'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 consumers at developmental centers and related special population units located throughout the State. The 2006-07 Enacted Budget supports a census of about 1,605 consumers at the beginning of the State fiscal year. During 2006-07 OMRDD will continue to move institutional consumers to more appropriate community settings; however, it is anticipated that these movements will be offset by new admissions, mostly of persons with challenging behaviors who will be placed in special population units.

The 2006-07 Enacted Budget supports the development of community residential beds for the Governor's NYS-CARES initiatives for consumers on waiting lists and for legally mandated populations, such as young adults aging out of either the special educational or foster care systems, and New York City Administration for Children's Services consumers, as well as resources to develop community program opportunities for clients on waiting lists.

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 2006-07 Enacted Budget includes resources for a 2006-07 end-year census of more than 8,300 consumers in State-operated community residential programs and over 5,100 consumers in State-operated day programs.

Office of Alcoholism and Substance Abuse Services

OASAS will operate 13 ATCs with a total bed capacity of 652 during the State's 2006-07 fiscal year.

Population Statistics

The following are actual and projected population statistics for the residential programs of OMH, OMRDD and OASAS:

	Mentally Ill		Mentally Retarded or Developmentally Disabled		Chemical Dependence
Year (as of 3/31)	**Psychiatric Center** [1]	**Community Residences** [2]	**Developmental Center**	**Community Residences**	**Addiction Treatment Centers**
2002	4,485	26,000	1,655	35,000	652
2003	4,280	26,500	1,651	31,721[3]	652
2004	4,130	26,900	1,634	32,250	652
2005	4,080	27,400	1,635	32,597	652
2006	4,030	28,300	1,605	33,157	652
2007 (estimated)	4,030	29,100	1,712	33,761	652

(1) The actual and estimated population statistics exclude approximately 695 forensic beds and approximately 526 children's beds. 100 beds for adult individuals with forensic or dangerous histories known as the Manhattan STAIR Unit are included in the actual and estimated population. The 2007 estimate also excludes individuals who are civilly committed to sexual offender treatment programs for whom OMH expects to operate up to 270 beds in State Fiscal Year 2006-07.

(2) Includes both licensed and unlicensed programs as of June 30.

(3) Beginning in 2003, approximately 4,000 consumers in OMRDD's Family Care Program will no longer be categorized as Community residences.

Income Available for Prior Agency Annual Payments, 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, as agent of the Authority, 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 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 (i) 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 Prior Agency Annual Payments with respect to the Prior Agency Bonds and Prior Authority Annual Payments with respect to the Prior Authority Bonds, and (ii) annual debt service for the Prior Agency Bonds and the Prior Authority Bonds, for State Fiscal Years 2001-02 through 2005-06 inclusive.

Historical Receipts Available For Prior Agency Annual Payments,
Prior Authority Annual Payments, and Annual Payments and Annual Debt Service for Prior Agency Bonds,
Prior Authority Bonds and Bonds
(Millions)

	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Medicaid	$ 1,934.42	$ 2,179.95	$ 2,356.53	$2,397.50	$2,629.48
Medicare	40.52	57.37	66.86	54.81	32.42
Other	103.97	101.25	119.49	101.52	95.52
Total	$ 2,078.91	$ 2,338.57	$ 2,542.88	$2,553.83	$2,757.42
Annual Debt Service	$ 316.83	$ 309.17	$ 151.75	$ 220.45	$ 280.66

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The following table prepared by OMRDD, OMH and OASAS, in consultation with the State Division of the Budget, is based upon the 2006-07 Enacted Budget, and shows the projected receipts available for payment of annual debt service for the Prior Agency Bonds, the Prior Authority Bonds and the Bonds. This table also includes projected annual debt service for the Prior Agency Bonds, the Prior Authority Bonds and the Bonds.

Projected Receipts Available for Prior Authority Annual Payments and Annual Payments and Annual Debt Service for the Prior Authority Bonds and the Bonds

Department of Mental Hygiene
Five Year Revenue Projections
(Millions)

	2006-07	2007-08	2008-09	2009-10	2010-11
OMRDD					
Medicaid	$ 2,028.52	$ 2,038.84	$ 2,074.57	$ 2,074.57	$ 2,074.57
Medicare	0.60	0.60	0.60	0.60	0.60
Other	55.15	55.15	55.15	55.15	55.15
Subtotal	$ 2,084.27	$ 2,094.59	$ 2,130.32	$ 2,130.32	$ 2,130.32
OMH					
Medicaid	$ 623.66	$ 578.52	$ 578.52	$ 578.52	$ 578.52
Medicare	55.02	59.57	50.51	50.51	50.51
Other	44.82	44.41	44.41	44.41	44.41
Subtotal	$ 723.50	$ 682.50	$ 673.44	$ 673.44	$ 673.44
OASAS					
Medicaid	$ 7.90	$ 7.80	$ 7.80	$ 7.80	$ 7.80
Other	15.60	15.60	15.60	15.60	15.6
Subtotal	$ 23.50	$ 23.40	$ 23.40	$ 23.40	$ 23.40
Other Receipts	$ 2.70	$ 2.70	$ 2.70	$ 2.70	$ 2.70
Gross Receipts	$ 2,833.97	$ 2,803.19	$2,829.86	$2,829.86	$2,829.86
Annual Debt Service*	317.71	282.92	294.90	308.85	301.17

* Includes debt service on Prior Authority Bonds and Bonds as of March 31, 2006 but does not include debt service on any Bonds that may be issued during the State Fiscal Year 2006-07 although the 2006-07 Enacted Budget projects the average issuance of approximately $200 million of Bonds annually through fiscal year 2010-11 to finance State Facilities and Voluntary Agency Facilities.

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 in fact meet billing criteria are also a factor. The Department considers assumptions regarding this factor for the 2006-07 through 2010-11 forecast years to be relatively conservative.

No age limitations are imposed on OMRDD Medicaid eligibility and substantially all consumers are in fact 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 shown above may be overstated to the extent that any facility loses certification. Substantial State investment is made to retain or regain certification at all facilities.

All OMRDD developmental centers and OMH psychiatric centers are currently certified by appropriate Federal and State regulatory agencies.

Federal efforts begun in 1985 to control Medicare expenditures though Peer Review Organizations (PROs) have recently focused on general hospitals. However, there is a potential that specialty hospitals will be more closely reviewed in the future. Were this to occur, there is some potential for revenue impact. 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 historically 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 utilizing trend factors, volume adjustments, capitated payments and other traditional or new rate methodologies. The Department anticipates some decline in revenues due to several factors including continued census decline, changes in capitated program initiatives and lower spending on State institutions. 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 forecasts presented above are 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 have been used to redeem and/or defease certain Prior Agency Bonds and Prior Authority Bonds or deposited into the Services Fund. Certain other closed facilities are being offered for sale but are not yet under contract. If and when such sales occur, the proceeds from the sales will be used to redeem and/or defease certain Prior Authority 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 Prior Agency Resolution and 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. Additional Prior Authority 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 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 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, OMRDD and OASAS.

The appropriations made by the Legislature from the General Fund, State Purposes Account, for the operations of OMH, OMRDD and OASAS for the State Fiscal Years 2002-03 through 2006-07 are as follows:

Fiscal Year	OMH	OMRDD	OASAS	Total
2002-03	$667,599,500	$168,994,000	$49,290,000	$ 885,883,500
2003-04	520,940,000	168,341,000	48,670,000	737,951,000
2004-05	603,915,000	134,012,000	46,783,000	784,710,000
2005-06	586,610,000	502,621,000	46,681,000	1,135,912,000
2006-07	772,557,000	530,123,000	52,721,000	1,355,401,000

The appropriations made by the Legislature from the Mental Hygiene Patient Income Account for the operations of OMH, OMRDD and OASAS for the State Fiscal Years 2002-03 through 2006-07 are as follows:

Fiscal Year	OMH	OMRDD	OASAS	Total
2002-03	$458,528,000	$1,616,174,000	$17,830,000	$2,092,532,000
2003-04	553,931,000	1,733,643,000	20,190,000	2,307,764,000
2004-05	484,730,000	1,851,300,000	22,100,000	2,358,130,000
2005-06	575,601,000	1,950,095,000	23,500,000	2,549,196,000
2006-07	487,881,000	2,020,765,000	21,500,000	2,530,146,000

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. 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 (HFA), Health Facilities Revenue Bonds (New York City) and Dormitory Authority of the State of New York (DA), Municipal Health Improvement Program Lease Revenue Bonds (The City of New York Issue)

"State Appropriations for Medicaid"

This Subsection K contains information required to be updated relating solely 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 words used in this Subsection are defined as set forth in the related Official Statements.

State Appropriations For Medicaid

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 State Fiscal Years ended March 31, 2000 through March 31, 2004 were as follows:

Fiscal Year	Annual Amount of State Medicaid Payments to, or on behalf of, the City [(1)]
1999-00	4,907,018,127
2000-01	5,093,316,548
2001-02	5,527,460,537
2002-03	6,451,589,373
2003-04	6,506,582,324

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

The total amount of State Aid paid to the City 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 the fiscal year ended March 31, 2004 was approximately $502,944,817.

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 information required to be updated relating solely 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 words used in this Subsection are defined as set forth in the related Official Statement.

PART 1 – THE DEPARTMENT OF HEALTH

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 four major operating arms, the Office of Public Health ("OPH"), the Office of Health Systems Management ("OHSM"), the Office of Medicaid Management ("OMM") and the Office of Managed Care ("OMC") 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 carries out its responsibilities through 15 programs: Administrative and Executive Direction; Center for Environmental Health; Center for Community Health; AIDS Institute; Wadsworth Center for Laboratories and Research; Health Care Standards and Surveillance; Health Care Financing; Office of Managed Care; Office of Medicaid Management Program; Medical Assistance Program; Medical Assistance Administration Program; Medicaid Management Information System; Child Health Insurance Program; Elderly Pharmaceutical Insurance Coverage ("EPIC") Program; 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" or "Roswell Park"), 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") (See "PART 2 – THE MEDICAL CARE FACILITIES – Roswell Park Cancer Institute"). 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 fiscal year 2006-07 for repairs and maintenance of the Medical Care Facilities.

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 Medical Care Facilities.

The 2006-07 Enacted Budget includes funds appropriated to the Department from 86 Special Revenue Accounts including, pursuant to Chapter 433 of the Laws of 1997, six accounts, each supporting the operating budget for one of the Medical Care Facilities. 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 her 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 fiscal year 2005-06 and estimated for fiscal year 2006-07, 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).

Health Income Fund
(thousands of dollars)

Fiscal Year Ended March 31	Receipts in Health Income Fund	Health Income Fund Debt Service Payments	Available for Transfer to Facility-Specific Operating Accounts or RPCI(1)
2002	$161,823	$30,942	$130,881
2003	177,974	28,948	149,026
2004	234,657	28,534	206,123
2005	239,618	28,268	211,350
2006 (Preliminary)	298,075	29,002	269,073
2007 (Estimated)	298,455	28,468	269,987

Source: Department of Health.
(1) Available balance may be increased or decreased, depending on the need to set aside future debt service payments, resulting 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 therefor. The moneys are payable from these operating accounts upon audit and warrant of the Comptroller on vouchers approved by the Commissioner or her designee. A contingent appropriation of $20,000,000 has been reappropriated for the Health Services Account to provide temporary cash flow advances from the State should any of the operating accounts for all Medical Care Facilities experience temporary cash flow problems. The 2006-07 Enacted Budget includes this contingent appropriation. These advances are, in general, subject to repayment within 90 days. There was no need to access this contingent authority during fiscal year 2005-06 when there was an appropriation, nor is such need currently foreseen during fiscal year 2006-07. 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 it does not necessarily reflect actual spending levels.

Fiscal Year Ended March 31,	**Appropriated for Facility-Specific Operating Accounts** [1][2]
2002	$104,960,000
2003	117,390,000
2004	124,660,000
2005	132,051,000
2006 (preliminary)	150,524,000
2007 (estimated)	139,942,000[3]

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

(2) 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.

(3) Reflects 2006-07 Enacted Budget

Employee Relations and Indemnity

The Department currently employs approximately 5,850 full-time equivalent employees, including approximately 1,550 personnel 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 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.

PART 2 - THE MEDICAL CARE FACILITIES

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. Presently, there are 39 such centers designated in the United States. The Institute is a 101 bed facility and an ambulatory care center containing 12 multidisciplinary care centers with a staff of over 2,300 members, including clinical staff physicians, residents, fellows, and research staff. The primary physical plant covers several city blocks in downtown Buffalo.

The operation of the Institute transferred to the RPCI on January 1, 1999. 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 fiscal year 2005-06 and estimated for 2006-07.

Fiscal Year Ending March 31	Annual Average Beds in Service	Annual Average Inpatient Occupancy Rate*	Outpatient Visits
2002	101	72%	120,933
2003	101	76	135,447
2004	101	73	143,867
2005	101	79	145,372
2006 (Preliminary)	101	79	152,376
2007 (Estimated)	101	79	153,000

* Based on annual average beds in service. Due to ongoing construction and renovation projects which took beds out of service, annual average beds in service during the reporting period represents 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. The modernization of Roswell Park has been completed. RPCI's responsibility is to ensure the fiscal and programmatic integrity of the facility. To achieve this objective, RPCI has updated the strategic plan for the Institute which includes major programmatic and scientific, as well as, fiscal goals. Some of the key goals include the recruitment of top-tier clinical and scientific talent; developing a methodology to monitor the effectiveness of programs and faculty; enhancing financial viability through revenue and expense controls; building a strong and profitable biotechnology transfer program in collaboration with peer facilities; emphasis on clinical and translation research, as well as developing and implementing new clinical trials and establishing a cancer disease management and clinical outcomes program.

The Institute is a formally designated unit of the Graduate School of 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, 2007 Roswell Park is projected to generate 63 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 fiscal year 2005-06 and estimated for fiscal year 2006-07.

Fiscal Year Ending March 31	Annual Average Occupancy Rate	Outpatient Visits
2002	82%	34,857
2003	84	36,131
2004	86	60,691
2005	86	66,000
2006 (Preliminary)	85	67,134
2007 (Estimated)	85	68,000

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, 2007, the Hospital is projected to generate 19 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, 2007 on the average, to 239 residents.

The annual average occupancy rate for the Home for the four most recent fiscal years, preliminary for fiscal year 2005-06 and estimated for fiscal year 2006-07, is described in the following table:

Fiscal Year Ending March 31	Annual Average Inpatient Occupancy Rate
2002	99%
2003	99
2004	98
2005	97
2006 (Preliminary)	95
2007 (Estimated)	90

For the fiscal year ending March 31, 2007 the Home is projected to generate 7 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 and is estimated to generate 4 percent of the patient care revenues deposited into the Health Income Fund.

The annual average occupancy rate for the WNY Veterans Home for the four most recent fiscal years, preliminary for fiscal year 2005-06 and estimated for fiscal year 2006-07, is described in the following table:

Fiscal Year Ending March 31	Annual Average Inpatient Occupancy Rate
2002	98%
2003	98
2004	98
2005	97
2006 (Preliminary)	95
2007 (Estimated)	90

New York State Home for Veterans in the Lower Hudson Valley

The HV Veterans Home was authorized by legislation in 1994. 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.

Construction was completed in mid-2001 and resident admissions began in September 2001. For the fiscal year ending March 31, 2007 the facility's patient care revenues is projected to generate 7 percent of the patient care revenue deposited into the Health Income Fund.

The annual average occupancy rate for the HV Veterans Home for the four most recent fiscal years, preliminary for fiscal year 2005-06 and estimated for fiscal year 2006-07, is described in the following table:

Fiscal Year Ending March 31	Annual Average Inpatient Occupancy Rate*
2002	20%
2003	94
2004	96
2005	96
2006 (Preliminary)	90
2007 (Estimated)	92

* Based on annual average beds in service, which in 2002 was 84, in 2003 was 189, in 2004 was 210, in 2005 and thereafter was 252. In 2007, it is also estimated at 252.

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 the New York State Health Care Reform Act 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 continues to be considered an exempt facility for Medicare and is reimbursed on a per diem basis for this payor. At the Hospital, Medicare established a new Prospective Payment System ("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 is based on the Resource Utilization Groups ("RUGS") methodology, which was implemented by the State in 1986. This methodology is based on a case-mix assessment and classification system that reflects the cost of care and provides financial incentives to admit "high intensity" patients by linking payments to the level of services provided. Reimbursement for the Home is based on 1983 operational costs and the WNY Veterans Home's base year for reimbursement is FY 1996-97.

For Medicare, the reimbursement methodology for the Home and the WNY 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.

The reimbursement methodology for Medicaid and Medicare for HV Veterans Home is not yet finalized, with such reimbursements being made at an interim budgeted rate.

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 four 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

	2001-2002	2002-2003	2003-2004	2004-2005
Roswell Park Cancer Institute				
Medicare	$23,402,719	$24,026,677	$31,086,494	$35,777,316
Medicaid	9,640,489	7,216,013	10,048,832	19,199,006
Blue Cross	8,730,727	25,056,622	32,654,769	53,820,147
Other Third Party Payors	57,088,384	42,943,015	56,483,708	44,172,200
Self-Pay	1,246,881	2,279,883	2,820,808	4,629,875
TOTAL	$100,109,200	$101,522,210	$133,094,611	$157,598,544
Helen Hayes Hospital				
Medicare	$20,732,829	$30,138,712	$33,736,298	$31,976,474
Medicaid	6,252,233	6,179,745	7,962,838	7,547,464
Blue Cross	3,440,276	3,375,177	3,988,575	3,780,515
Other Third Party Payors	14,052,276	12,285,157	12,003,096	11,376,965
Self-Pay	379,386	332,885	366,910	347,770
Other	3,748,133	4,467,429	1,463,750	1,396,873
TOTAL	$48,605,133	$56,779,105	$59,521,467	$56,426,061
Oxford Home				
Medicaid	$7,499,507	$7,579,099	$8,169,727	$7,856,051
Self-Pay	4,351,063	4,443,315	4,706,443	5,227,289
VA Reimbursement	3,784,691	2,687,265	3,276,130	2,993,371
Medicare	1,941,561	2,150,434	1,642,402	1,547,563
Miscellaneous	20,875	18,692	322,650	422,680
TOTAL	$17,597,697	$16,878,805	$18,117,352	$18,046,954
WNY Veterans Home				
Medicaid	$2,813,348	$3,231,342	$3,709,027	$3,598,786
Self-Pay	2,446,294	2,911,291	2,485,482	2,712,871
VA Reimbursement	2,011,186	2,036,990	2,215,179	2,173,767
Medicare	958,611	669,916	687,118	714,801
TOTAL	$8,229,439	$8,849,539	$9,096,806	$9,200,225
HV Veterans Home				
Medicaid	$0	$798,128	$3,206,080	$4,405,733
Self-Pay	143,705	1,734,488	5,497,034	6,419,391
VA Reimbursement	0	1,752,896	2,946,696	3,947,388
Medicare	0	1,451,575	3,400,928	3,154,927
TOTAL	$143,705	$5,737,087	$15,050,738	$17,927,439

Summary of Revenue and Expenses

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 generally accepted accounting principles 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

Revenues	**2001-2002**	**2002-03**	**2003-04**	**2004-05**
Roswell Park	$210,893,861	$207,771,921	$235,655,346	$258,023,283
Helen Hayes Hospital	65,074,395	73,420,680	78,269,413	77,558,871
Oxford Home	19,812,609	21,758,152	22,937,025	23,693,217
WNY Veterans Home	10,333,770	11,646,147	11,427,082	13,464,222
HV Veterans Home[(1)]	2,920,383	13,179,059	21,626,927	22,728,426
Total Revenues	$309,035,018	$327,775,959	$369,915,793	$395,468,019
Expenses				
Roswell Park	$202,711,099	$207,681,212	$224,998,650	$244,828,353
Helen Hayes Hospital	62,799,363	66,945,271	71,090,015	70,744,114
Oxford Home	19,649,585	21,758,435	21,940,968	26,536,528
WNY Veterans Home	11,112,331	12,640,110	12,851,068	13,748,141
HV Veterans Home	7,919,666	18,306,345	22,646,371	28,647,016
Total Expenses	$304,192,044	$327,331,373	$353,527,072	$384,504,152
Results from Operation	$4,842,974	$444,586	$16,388,721	$10,963,867

[(1)] HV Veterans Home, which opened in September 2001, is being reimbursed under Medicaid at an interim budgeted rate.

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 information required to be updated relating solely to obligations issued by the Dormitory Authority of the State of New York for the Department of Health Veterans Home Revenue Bonds. Capitalized words used in this Subsection are defined as set forth in the related Official Statement.

PART 4 - THE DEPARTMENT OF HEALTH

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 four major operating arms, the Office of Public Health ("OPH"), the Office of Health Systems Management ("OHSM"), the Office of Medicaid Management ("OMM") and the Office of Managed Care ("OMC") 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 carries out its responsibilities through 15 programs: Administrative and Executive Direction; Center for Environmental Health; Center for Community Health; AIDS Institute; Wadsworth Center for Laboratories and Research; Health Care Standards and Surveillance; Health Care Financing; Office of Managed Care; Office of Medicaid Management Program; Medical Assistance Program; Medical Assistance Administration Program; Medicaid Management Information System; Child Health Insurance Program; Elderly Pharmaceutical Insurance Coverage ("EPIC") Program; 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" or "Roswell Park"), 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 (See Part 5 – The Medical Care Facilities – Roswell Park Cancer Institute). 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 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 Health Income Fund. The Legislature appropriated $7,600,000 from the State's Capital Projects Fund for fiscal year 2006-07 for repairs and maintenance of the Medical Care Facilities.

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 Medical Care Facilities.

The 2006-07 Enacted Budget includes funds appropriated to the Department from 86 Special Revenue Accounts including, pursuant to Chapter 433 of the Laws of 1997, six accounts, each supporting the operating budget for one of the Medical Care Facilities. 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 are 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 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 her 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 fiscal year 2005-06 and estimated for fiscal year 2006-07, 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).

Health Income Fund
(thousands of dollars)

Fiscal Year Ended March 31	Receipts in Health Income Fund	Health Income Fund Debt Service Payments	Available for Transfer to Facility-Specific Operating Accounts or RPCI Corporation[(1)]
2002	$161,823	$30,942	$130,881
2003	177,974	28,948	149,026
2004	234,657	28,534	206,123
2005	239,618	28,268	211,350
2006 (Preliminary)	298,075	29,002	269,073
2007 (Estimated)	298,455	28,468	269,987

Source: Department of Health.
(1) Available fund balance may be increased or decreased, depending on the need to set aside future debt service payments, resulting 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 for the 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 her designee. A contingent appropriation of $20,000,000 has been reappropriated for the Health Services Account to provide temporary cash flow advances from the State should any of the operating accounts for all Medical Care Facilities experience temporary cash flow problems. The 2006-07 Enacted Budget includes this contingent appropriation. These advances are, in general, subject to repayment within 90 days. There was no need to access this contingent authority during fiscal year 2005-06 when there was an appropriation, nor is such need currently foreseen during fiscal year 2006-07**.** See preceding section entitled "The Health Income Fund," for information on RPCI revenue.

The New York City Veterans Home Income Fund

The New York City 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 New York City 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 NYC Veterans Home, together with certain other moneys and miscellaneous receipts less certain payments and refunds made pursuant to law are to be paid by the Commissioner to the Comptroller for deposit in the New York City Veterans Home Income Fund. The Dormitory Authority has issued its Dormitory Authority of the State of New York Revenue Bonds (DOH Veterans Home Issue) (the "Veterans Home Bonds") to finance the construction of the NYC Veterans Home under a separate and distinct bond resolution. The amounts on deposit in the New York City Veterans Home Income Fund are pledged to pay the debt service on the Veterans Home Bonds.

Section 409-a of the Public Health Law requires that the Comptroller maintain at all times in the New York City 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 Veterans Home Bonds. Related to the discussion above under the subheading "DOH Hospital Holding Account and Facility-Specific Operating Accounts," 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 New York City Veterans Home Account all moneys in the New York City 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 New York City Veterans Home Income Fund are paid out on the audit and warrant of the Comptroller on vouchers certified or approved by the Commissioner or her designee.

Sources of Operating Funds

The following table below reflects the Department's State Operations appropriations for the Medical Care Facilities. 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.

Fiscal Year Ended March 31,	**Appropriated for Facility-Specific Operating Accounts** [1][2]
2002	$104,960,000
2003	117,390,000
2004	124,660,000
2005	132,051,000
2006 (preliminary)	150,524,000
2007 (estimated)	139,942,000[3]

(1) Exclusive of minor amounts of money available for patient benefits from gifts and bequests.
(2) These funds are transferred to individual Special Revenue Fund-Other accounts supporting the respective operating budgets of each of the Department's facilities. The amounts shown here are from revenues derived from the Medical Care Facilities and vary in some degree from the revenues of the Medical Care Facilities as reflected in their financial statements for the years indicated, due to differences in accounting procedures and other factors.
(3) Reflects 2006-07 Enacted Budget.

Employee Relations and Indemnity

The Department currently employs approximately 5,850 full-time equivalent employees, including approximately 1,550 personnel at the Hospital, the Home, the WNY Veterans Home, the HV Veterans Home and the Veterans Home. (Individuals at the Institute are now considered employees of the RPCI rather than the Department and are no longer 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 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.

The Program offered at the Veterans Home serves two categories of residents – those requiring skilled long term 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’s average annual occupancy rate, for the four most recent fiscal years, and estimated for fiscal year 2006-07 is as follows:

Fiscal year Ending March 31,	Annual Average Inpatient Occupancy Rate
2003	97%
2004	97
2005	98
2006	96
2007 (Estimated)	96

Reimbursement Process

The Veterans Home's reimbursement from the Medicaid program is based on the Resource Utilization Groups ("RUGS") methodology, which was implemented by the State in 1986. This methodology is based on a case mix assessment and classification system that reflects the cost of care and provides financial incentives to admit "high cost" patients by linking payments to the level of services provided. The Veterans Home's base year for reimbursement for Medicaid is the 1995 calendar year. This cost year of 1995 will be constant for future reimbursements, with the rates being adjusted primarily for fluctuations in case mix and an inflationary factor. Private pay patients are billed at rates which are based on the Veterans Home's actual cost, plus a markup. Medicare reimbursement is based on a new Prospective Payment System ("PPS") which is transitioning from reimbursement for a facility-specific cost to the average cost for the respective regions. For the Veterans Home, the conversion to this new system has proven beneficial as the average regional cost exceeds the facility-specific cost, resulting in a higher rate of reimbursement. The Veterans Home has also converted from a "flat rate" average charge to "fee for service." In addition to a room and board charge, the Home bills for actual charges for pharmacy, therapies and other such ancillary services. This conversion has the effect of maximizing revenues as compared with private pay residents since they are billed at the charge level.

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*

	2001-02	2002-03	2003-04	2004-05
Medicaid	$8,664,651	$8,432,775	$8,823,731	$10,685,026
Medicare	2,819,445	2,914,003	2,567,564	2,351,403
VA Reimbursement	4,471,547	4,596,654	4,366,528	4,218,954
Self Pay	4,345,465	4,646,638	5,125,894	4,680,666
Misc. Income	3,691	0	235,157	331,180
Total	$20,304,799	$20,590,070	$21,118,874	$22,267,229

* Facility cash receipts vary with receipts into the Veterans Home Income Fund because of timing differences in the recording of the respective funds.

Summary of Revenue and Expenses

The following reflects the Veterans Home's 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 Veteran's Home Income Statements*

	2001-02	2002-03	2003-04	2004-05
Net Patient Care Revenues and Other Revenue	$ 24,711,087	$ 24,772,138	$ 26,287,387	$ 26,251,142
Expenses	23,694,859	24,819,512	25,731,213	26,632,256
Results from Operation	$ 1,016,228[1]	$ (47,374)[2]	$ 556,174[1]	$ (381,114)[2]

* 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.

(1) Lower levels of spending result in an increase in the home's fund balance.

(2) Deficit operating results cause a decrease in the home's fund balance.

Section 2: Subsection N

New York State Personal Income Tax Revenue Bonds

This Subsection N contains information required to be updated relating solely to obligations issued by the Authorized Issuers for State Personal Income Tax Revenue Bonds. Capitalized words used in this Subsection are defined as set forth in the related Official Statement.

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

The Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") for the purpose of setting aside New York State Personal Income Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller (the "State Comptroller") and the 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 Personal Income Tax imposed by Article 22 of the New York State Tax Law which, pursuant to Section 171-a of the Tax Law, are deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds owed to taxpayers and deposits to the School Tax Reduction Fund. See "SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND – Revenue Bond Tax Fund Receipts."

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

The State Personal Income Tax Revenue Bonds are special obligations of the respective issuers thereof, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to the applicable Trustee on behalf of the Authorized Issuer in accordance with the terms and provisions of the applicable Financing Agreement by and between the Authorized Issuer and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the related general resolution (other than the Rebate Fund and other Funds as provided in such resolution). The State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are entitled to a lien, created by a pledge under the related general resolution, on the Pledged Property.

The Enabling Act permits the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test, Revenue Bond Tax Fund Receipts of $7.0 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 10.5 times the maximum annual Debt Service for all State Personal Income Tax Revenue Bonds outstanding on March 31, 2006. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "–Additional Bonds" below.

The revenues, facilities, properties and any and all other assets of an Authorized Issuer 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 the State Personal Income Tax Revenue Bonds issued by it, any redemption premium therefor or the interest thereon or any other obligations under the related 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 Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement payments, when due, to the applicable trustees on behalf of the Authorized Issuers.

The Enabling Act provides that:

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

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

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

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

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

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

The Enabling Act provides that on or before the 12th day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

Set Aside of Revenue Bond Tax Fund Receipts

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

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

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

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

Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts are insufficient to meet 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 further 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).

Flow of Revenue Bond Tax Fund Receipts

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

On or Before October 1

Authorized Issuers submit State Personal Income Tax Revenue Bond cash requirements (which include financing agreement payments) for the following State Fiscal Year and four subsequent State Fiscal Years to the Division of the Budget

↓

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

Director of the Budget submits certificate to State Comptroller which estimates for the following fiscal year:[*]

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

↓

Beginning on the First Day of Each Month

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

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

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

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12th Day of the following Month

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

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

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

Moneys Held in the Revenue Bond Tax Fund

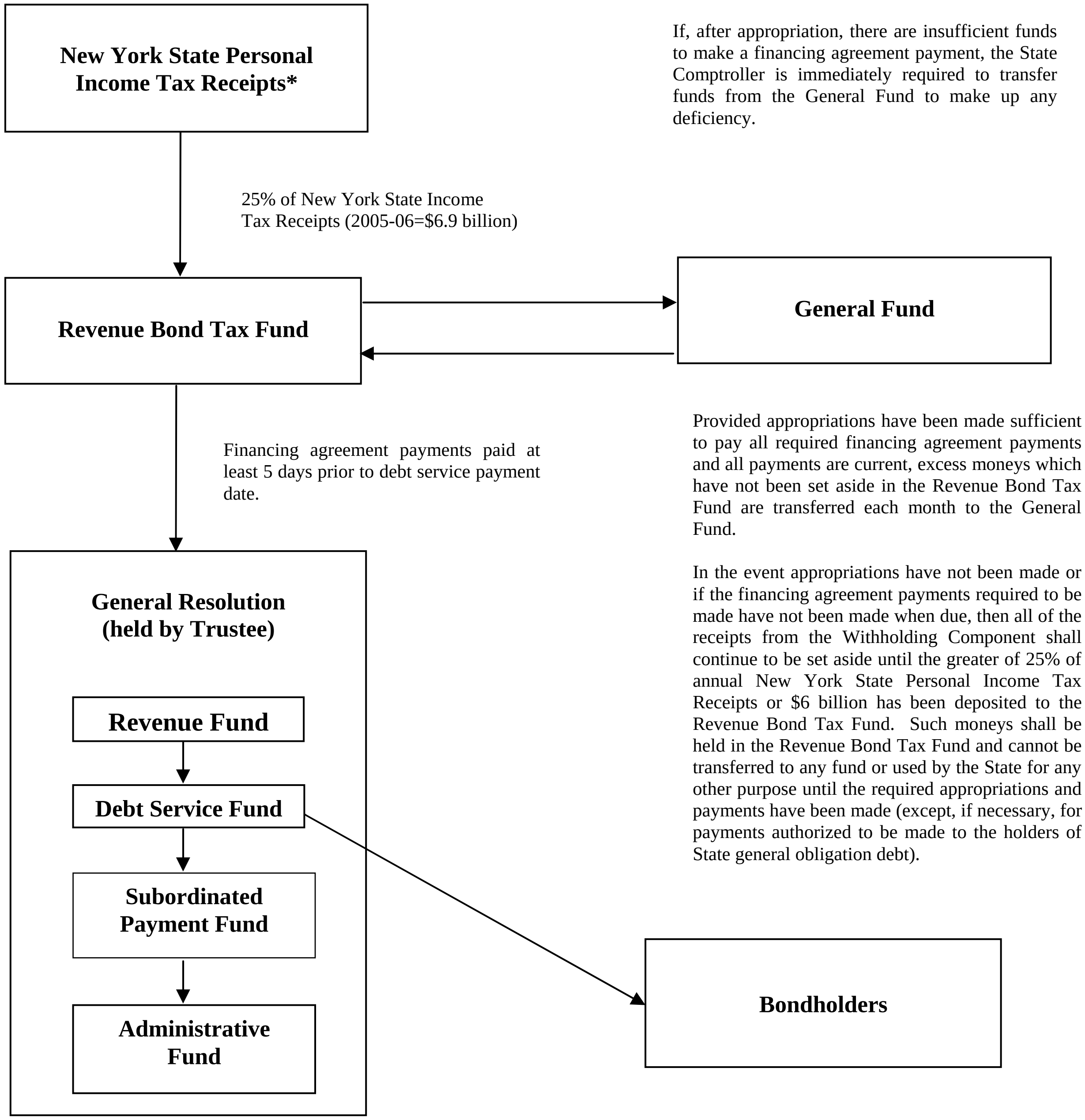
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authorized Issuers (which are paid to the applicable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

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

Flow of Revenues



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

Appropriation by the State Legislature

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

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

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

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

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is "subject to the rights of holders of debt of the State" (i.e., general obligation bondholders who benefit from the full 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 Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations, 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 related general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue 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 Personal Income Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Revenue Bonds, without acceleration.

Certain Covenants of the State

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

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

Reservation of State's Right to Substitute Credit

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

The Governor has previously proposed a constitutional amendment to impose the provisions of the Debt Reform Act of 2000 (Chapter 59 of the Laws of 2000) and to authorize the issuance of State Revenue Bonds. Constitutional amendments require passage by two separately-elected State Legislatures and approval by the voters. As a result, such amendment, if passed by the State Legislature in the current legislative term, could not take effect before January 1, 2008. In the event such a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that the Authorized Issuers would be the issuer of any such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not any Authorized Issuer, the issuer of such State Revenue Bonds could be the State or another public entity.

SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND

General History of the State Personal Income Tax

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

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

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

Major tax credits include: Empire State Child Credit (enacted and effective in 2006); Earned Income 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 personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. Beginning in the 2006 tax year and thereafter, the rate schedules revert to the rate schedule in effect for the 2002 tax year. Set forth below, are the rate schedules for tax year2005, and the rate schedules for tax year 2006 and thereafter.

New York State Personal Income Tax Rates for Tax Year 2005

	Tax*
Married Filing Jointly	
Taxable Income:	
Not over $16,000	4% of taxable income
Over $16,000 but not over $22,000	$640 plus 4.50% of excess over $16,000
Over $22,000 but not over $26,000	$910 plus 5.25% of excess over $22,000
Over $26,000 but not over $40,000	$1,120 plus 5.90% of excess over $26,000
Over $40,000 but not over $150,000	$1,946 plus 6.85% of excess over $40,000
Over $150,000 but not over $500,000	$9,481 plus 7.25% of excess over $150,000
Over $500,000	$34,856 plus 7.7% of excess over $500,000
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,000	4% of taxable income
Over $8,000 but not over $11,000	$320 plus 4.50% of excess over $8,000
Over $11,000 but not over $13,000	$455 plus 5.25% of excess over $11,000
Over $13,000 but not over $20,000	$560 plus 5.90% of excess over $13,000
Over $20,000 but not over $100,000	$973 plus 6.85% of excess over $20,000
Over $100,000 but not over $500,000	$6,453 plus 7.25% of excess over $100,000
Over $500,000	$35,453 plus 7.7% of excess over $500,000
Head of Household	
Taxable Income:	
Not over $11,000	4% of taxable income
Over $11,000 but not over $15,000	$440 plus 4.50% of excess over $11,000
Over $15,000 but not over $17,000	$620 plus 5.25% of excess over $15,000
Over $17,000 but not over $30,000	$725 plus 5.90% of excess over $17,000
Over $30,000 but not over $125,000	$1,492 plus 6.85% of excess over $30,000
Over $125,000 but not over $500,000	$8,000 plus 7.25% of excess over $125,000
Over $500,000	$35,187 plus 7.7% of excess over $500,000

* A supplemental income tax for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate applies to all taxpayers with New York AGI over $100,000. The benefit of the lower brackets begins to be recaptured at $100,000 of New York AGI and is totally recaptured at $500,000. Two additional recaptures were added by legislation enacted with the 2003-04 Budget that imposed a surcharge on high-income taxpayers for 2003 through 2005.

New York State Personal Income Tax Rates for Tax Years 2006 and Thereafter

	Tax*
Married Filing Jointly	
Taxable Income:	
Not over $16,000	4% of taxable income
Over $16,000 but not over $22,000	$640 plus 4.50% of excess over $16,000
Over $22,000 but not over $26,000	$910 plus 5.25% of excess over $22,000
Over $26,000 but not over $40,000	$1,120 plus 5.90% of excess over $26,000
Over $40,000	$1,946 plus 6.85% of excess over $40,000
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,000	4% of taxable income
Over $8,000 but not over $11,000	$320 plus 4.50% of excess over $8,000
Over $11,000 but not over $13,000	$455 plus 5.25% of excess over $11,000
Over $13,000 but not over $20,000	$560 plus 5.90% of excess over $13,000
Over $20,000	$973 plus 6.85% of excess over $20,000
Head of Household	
Taxable Income:	
Not over $11,000	4% of taxable income
Over $11,000 but not over $15,000	$440 plus 4.50% of excess over $11,000
Over $15,000 but not over $17,000	$620 plus 5.25% of excess over $15,000
Over $17,000 but not over $30,000	$725 plus 5.90% of excess over $17,000
Over $30,000	$1,492 plus 6.85% of excess over $30,000

*A supplemental income tax for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate applies to all taxpayers with New York AGI over $100,000. The benefit of the lower brackets begins to be recaptured at $100,000 of New York AGI and is totally recaptured at $150,000. Once a taxpayer's New York AGI exceeds $150,000, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

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

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

Revenue Bond Tax Fund Receipts

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the New York State Tax Law which are deposited pursuant to section 171-a of the Tax Law ("New York State Personal Income Tax Receipts") shall be deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers and deposits to the School Tax Reduction Fund (the "STAR Fund"). Moneys in the STAR Fund are used to reimburse school districts for school tax reductions provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Reduction program. As estimated in the 2006-07 Enacted Budget, approximately $3.4 billion is expected to be deposited into the STAR Fund in 2006-07. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State-supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State-supported debt. In State Fiscal Year 2000-01, $250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund, and together with previous deposits to such fund, was used to defease State-supported debt in State Fiscal Years 2000-01 and 2001-02. New York State Personal Income Tax Receipts for State Fiscal Years 2000-01 and 2001-02 exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

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

In State Fiscal Year 2005-06, New York State Personal Income Tax Receipts were approximately $27.6 billion and accounted for approximately 58 percent of State tax receipts in all State Funds. The 2006-07 Enacted Budget projects New York State Personal Income Tax Receipts at $30.9 billion for State Fiscal Year 2006-07.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 1996-97 through 2006-07. For State Fiscal Years 1996-97 through 2002-03, the table provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of those State Fiscal Years. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 1996-97 to 2006-07

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts*
1996-97	$17,554,367,132	$14,899,560,199	84.9%	$4,388,591,783
1997-98	18,289,070,099	15,284,538,902	83.6	4,572,267,525
1998-99	19,993,911,578	16,520,651,172	82.6	4,998,477,895
1999-00	21,999,634,064	18,460,534,313	83.9	5,499,908,516
2000-01	23,116,012,541	20,955,093,052	90.7	5,779,003,135
2001-02	24,013,593,585	20,261,325,030	84.4	6,003,398,396
2002-03	19,984,262,417	19,959,388,350	99.9	4,996,065,604
2003-04	21,827,770,700	21,985,657,770	100.7	5,456,942,675
2004-05	25,040,965,404	23,374,513,925	93.3	6,260,241,351
2005-06	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07 (estimated)	30,850,000,000	26,410,000,000	85.6	7,712,500,000

*25 percent of New York State Personal Income Tax Receipts shown on an annualized and pro forma basis for State Fiscal Years 1996-97 through 2002-03.

In State Fiscal Year 2005-06, New York State Personal Income Tax Receipts increased by about 10 percent to approximately $27.6 billion. The 2006-07 Enacted Budget projects that total State personal income tax receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 11.1 percent in 2006-07. After the estimated 2006-07 deposit to the STAR Fund of $3.4 billion (which includes the impact of legislation that increased the enhanced exemption amounts to account for inflation), it is projected that New York State Personal Income Tax Receipts will increase by 11.8 percent to approximately $30.9 billion in 2006-07.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the State DOB for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liabilities are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see "—General History of the State Personal Income Tax" above) that will affect each year's tax liability. The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts. Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2001-02 and 2002-03.

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 1997 through 2006.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 1997 to 2006*

Tax Year	**NYS AGI****	**Percent Change**	**Personal Income Tax Liability**	**Percent Change**
		($ in millions)		
1997	379,179	10.0	16,950	3.9
1998	413,128	9.0	18,986	12.0
1999	448,531	8.6	20,977	10.5
2000	508,934	13.5	24,494	16.8
2001	481,001	(5.5)	22,406	(8.5)
2002	459,919	(4.4)	20,729	(7.5)
2003	473,778	3.0	22,456	8.3
2004	525,751	11.0	25,841	15.1
2005	570,974	8.6	29,133	12.7
2006 (estimated)	598,324	4.8	28,452	(2.3)

* 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.

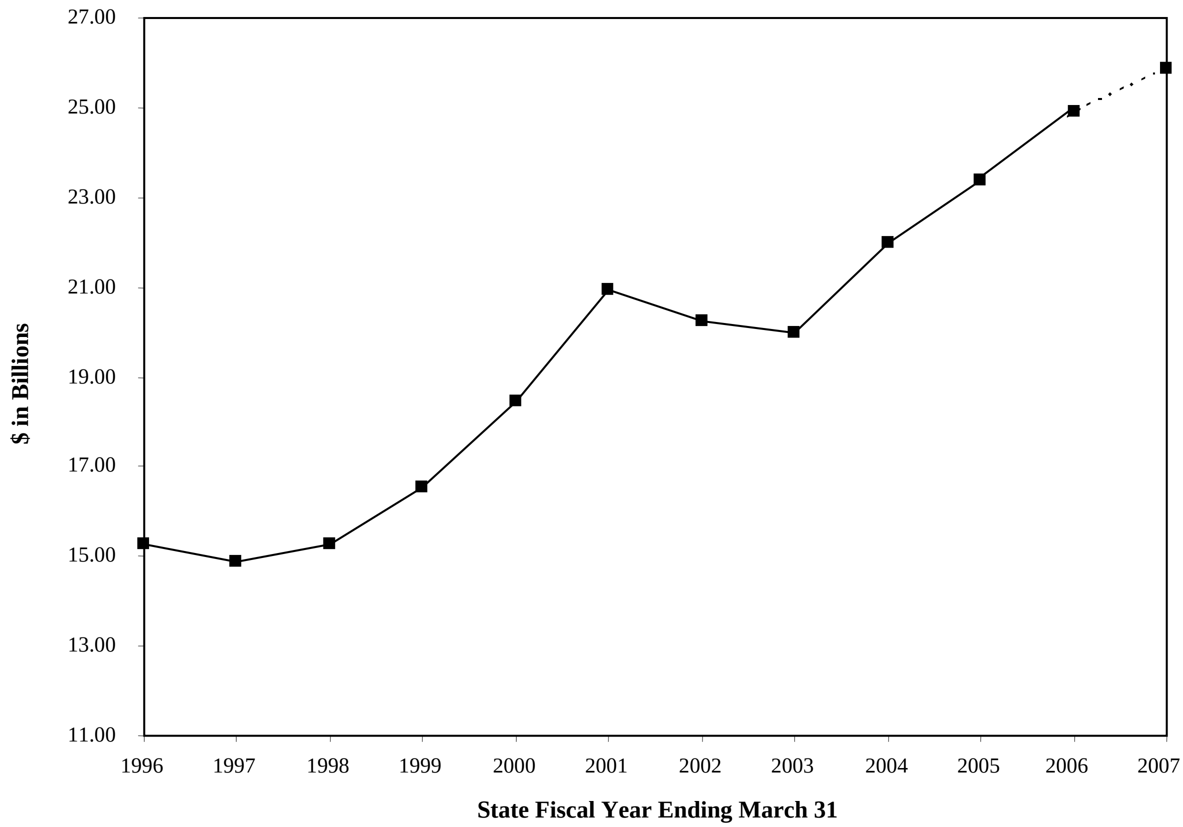
** Historical values for total NYS AGI appear lower than those previously published due to a minor definitional change.

Following the strong annual adjusted gross income growth rates for most years of the previous decade, 2001 exhibited significant decreases in both New York adjusted gross income and State personal income tax liability.

A lower than anticipated settlement for 2001 tax liability and continued economic weakness throughout 2002 resulted in total State personal income tax receipts that decreased by 11.4 percent in State Fiscal Year 2002-03. Receipts from the Withholding Component fell by 1.5 percent compared to the previous State Fiscal Year.

Despite a weak settlement for the 2002 tax year, the combination of a modestly improved economic environment in 2003 and the first-year impact of the temporary three-year personal income tax increase enacted in 2003 contributed to an increase of 8.8 percent in total State personal income tax receipts in State Fiscal Year 2003-04. This growth has continued since, both overall and to a lesser degree in withholding. The graph on the following page shows the history of the Withholding Component since 1996-97, with theestimate for the 2006-07 State Fiscal Year. The Withholding Component increased every year with the exception of State Fiscal Year 1996-97, which reflects the implementation of the third phase of a three-year personal income tax cut introduced in 1995. The Withholding Component also decreased in State Fiscal Years 2001-02 and 2002-03, but has grown each year since and is estimated to continue to grow in State Fiscal Year 2006-07.

Personal Income Tax Withholding Component



— Estimated.

Appendix A

APPENDIX A

NY Local Government Assistance Corporation 1995 Variable Rate Bonds
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1995A
NYS Urban Development Corporation Correctional Capital Facilities Revenue Bonds, Series 5
NYS Medical Care Facilities Finance Agency Mental Health Services Facilities Improvement Revenue Bonds, 1995 Series D
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 1995 Series A
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1995 and Series 1995A
Albany Housing Authority Limited Obligation Bonds, Series 1995
NYS Urban Development Corporation Youth Facilities Revenue Bonds, Series 1995
NYS General Obligation Bonds, October 1, 1995
NYS Urban Development Corporation Project Revenue Bonds (Onondaga Co. Convention Center), Refunding Series 1995
DASNY SUNY Educational Facilities Revenue Bonds, Series 1995A
MAC for the City of New York Series D Bonds (Issued Under the 1991 Resolution)
NYS General Obligation Refunding Bonds Series 1995C Dated October 1, 1995
DASNY Revenue Bonds, Upstate Community Colleges, Series 1995A
NYS Urban Development Corporation State Facilities Revenue Bonds, 1995 Refunding Series
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1995B
COPS, NY, dated November 15, 1995
DASNY CUNY Consolidated Revenue Bonds, Series 1995A, Series 1995B and Series 1995C
DASNY CUNY Consolidated Second General Resolution Revenue Bonds, Series 1995A and Series 1995 B
DASNY CUNY Consolidated Third General Resolution Revenue Bonds, 1995 Series 1
NYS Urban Development Corporation Project Revenue Bonds (Center for Industrial Innovation), 1995 Refunding Series
NYS ERDA (West Valley) Refunding Bonds 1995
DASNY Lease Revenue Bonds (State University Dormitory Facilities Issue) Series 1995A
MTA Commuter Facilities Subordinated Revenue Bonds, Series 1995-1 (Non-AMT) & 1995-2 (AMT) (Grand Central Terminal Redevelopment Project)
NYS Urban Development Corporation Project Revenue Bonds (Syracuse University Center for Science and Technology Loan) 1995 Refunding Series
NYS Urban Development Corporation Project Revenue Bonds (Clarkson University Center for Advanced Materials Processing Loan) 1995 Refunding Series
NYS Urban Development Corporation Project Revenue Bonds (University Facilities Grants) 1995 Refunding Series
NYS Urban Development Corporation Correctional Capital Facilities Revenue Bonds, Series 6

COPS, CUNY (John Jay College of Criminal Justice Project Refunding)
NYS General Obligation Bonds Dated January 15, 1996 (EQBA)
DASNY Department of Health Revenue Bonds, Series 1996
NYS Urban Development Corporation Project Revenue Bonds (Pine Barrens) 1996 Series
NYS Urban Development Corporation Revenue Bonds (Sports Facility Assistance Program), 1996 Series A and 1996 Series B (Federally Taxable)
DASNY Mental Health Services Facilities Improvement Revenue bonds, Series 1996A, Series 1996B and Series 1996C
NYS Urban Development Corporation Project Revenue Bonds (Higher Education Applied Technology Grants) Series 1996
MAC Series E Bonds (Issued Pursuant to the 1991 General Bond Resolution)
MAC Series F Bonds (Issued Pursuant to the 1991 General Bond Resolution)
MTA Transit Facilities Revenue Bonds, Series 1996A
MTA Commuter Facilities Revenue Bonds, Series 1996A
DASNY Revenue Bonds (Department of Education of the State of New York Issue), Series 1996
NYS General Obligation Bonds, Dated July 15, 1996
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1996A
NYS General Obligation Refunding Bonds, Series 1996A Dated August 1, 1996
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 1996 Series A
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 1996 Series B (Federally Taxable)
DASNY CUNY Consolidated Resolution Revenue Bonds, Series 1996A
DASNY CUNY Consolidated Third General Resolution Revenue Bonds, 1996 Series 1 and 1996 Series 2
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1996
DASNY State University Educational Facilities Resolution Revenue Bonds, Series 1996
MTA Dedicated Tax Fund Bonds, Series 1996A
DASNY Federally Taxable Pension Obligation Bonds, Series 1996 Issue
Municipal Assistance Corporation for the City of Troy General Resolution Bonds, Series 1996A, B, and C
NY Local Government Assistance Corporation Series 1996A Refunding Bonds
DASNY Library Facilities Service Contract Bonds, Series 1996
DASNY Revenue Bonds (Department of Health Veterans Home Issue) Series 1996
NYS Urban Development Corporation Correctional Capital Facilities Revenue Bonds, Series 7
COPS, NY, dated December 1, 1996
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1996D and Series 1996 E

MAC Series G Bonds (Issued Pursuant to the 1991 General Bond Resolution)
NYS Environmental Facilities Corporation Riverbank State Park Special Obligation Refunding Bonds, 1996 Series
NYS Environmental Quality 1986 Variable Interest Rate General Obligation Bonds, Series 1997A
NYS Environmental Facilities Corporation Taxable State Service Contract Revenue Bonds, Series 1997 A
NYS JDA State-Guaranteed Special Purpose Bonds, 1997 Series A and B
NYS Energy Research and Development Authority State Service Contract Revenue Bonds, Series 1997A and 1997B
DASNY Revenue Bonds (Department of Education of the State of New York Issue), Series 1997A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1997A
NYS $214,070,000 General Obligation Bonds, Dated March 1, 1997
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1997A and Series 1997B
MAC Series H Bonds (Issued Pursuant to the 1991 General Bond Resolution)
DASNY Revenue Bonds Upstate Community Colleges, Series 1997A
NYS Urban Development Corporation Youth Facilities Revenue Bonds, Series 1997
MAC Series I Bonds (Issued Pursuant to the 1991 General Bond Resolution)
MAC Series J Bonds (Issued Pursuant to the 1991 General Bond Resolution)
MAC Series K Bonds (Issued Pursuant to the 1991 General Bond Resolution)
NY Local Government Assistance Corporation, Series 1997A Refunding Bonds
MAC Series L Bonds (Issued Pursuant to the 1991 General Bond Resolution)
Municipal Assistance Corporation for the City of Troy General Resolution Bonds, Series 1997B
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1997
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1997B
NYS $125,205,000 General Obligation Bonds, Dated October 15, 1997
DASNY State University Educational Facilities Revenue Bonds, Series 1997
MTA Transit Facilities 1987 Service Contract Bonds, Series 8 & Commuter Facilities 1987 Service Contract Bonds Series 8
MTA Transit Facilities Service Contract Bonds, Series Q & Commuter Facilities Service Contract Bonds, Series Q
MTA Transit Facilities Service Contract Bonds, Series R & Commuter Facilities Service Contract Bonds, Series R
DASNY City University System Consolidated Revenue Bonds, Series 1997A and Series 1998A
DASNY City University System Consolidated Third General Resolution Revenue Bonds, 1997 Series 1
DASNY Lease Revenue Bonds (State University Dormitory Facilities Issue) Series 1997
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 1997 Series C Refunding
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1997C and Series 1997D
DASNY State Service Contract Bonds — Albany City Airport Project, Series 1997
NY Local Government Assistance Corporation, Series 1997B Refunding Bonds

APPENDIX A (Continued)

COPS, $82,520,000 State of NY, dated December 15, 1997
NYS $120,000,000 Environmental Quality 1986, Variable Interest Rate General Obligation Bonds, Series 1998A
NYS Urban Development Corporation Youth Facilities Service Contract Revenue Bonds, Series A
NYS ERDA State Service Contract Revenue Bonds, Series 1998A and 1998B (Federally Taxable)
NYS Environmental Facilities Corporation Taxable State Service Contract Revenue Bonds, Series 1998 A
NYS Urban Development Corporation Correctional Capital Facilities Revenue Bonds, 1998 Refunding Series
NYS Urban Development Corporation Correctional Facilities Revenue Bonds, 1998 Refunding Series
NYS Urban Development Corporation Correctional Facilities Service Contract Bonds, Series A
NYS $241,550,000 General Obligation Bonds, Series 1998B Tax-Exempt Bonds & Series 1998C Taxable Bonds
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1998A
NYS Thruway Authority Highway and Bridge Trust Fund Refunding Bonds, Series 1998B
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1998A, Series 1998B and Series 1998C
DASNY City University System Consolidated Revenue Bonds, Series 1998B
DASNY City University System Consolidated Second General Resolution Revenue Bonds, 1998A
DASNY City University System Consolidated Third General Resolution Revenue Bonds, 1998 Series 1
MTA Dedicated Tax Fund Bonds, Series 1998A
DASNY City University System Consolidated Third General Resolution Revenue Bonds, 1998 Series 2
DASNY Secured Hospital Revenue Refunding Bonds, Series 1998
DASNY Secured Hospital Revenue Bonds (Saint Agnes Hospital), Series 1998A
DASNY Secured Hospital Revenue Bonds (St. Clare's Hospital and Health Center), Series 1998B
DASNY Secured Hospital Revenue Bonds (Interfaith Medical Center), Series 1998D
DASNY Secured Hospital Insured Revenue Bonds (Southside Hospital), Series 1998
DASNY Court facilities Lease Revenue Bonds, (County of Westchester),Series 1998
DASNY Special Act School Districts Program Insured Revenue Bonds, Series 1998
DASNY 4201 Schools Program Revenue Bonds, Series 1998
DASNY Department of Health Revenue Bonds, Series 1998
DASNY State University Educational Facilities Revenue Bonds, Series 1998A
NYS $99,715,000 General Obligation Bonds, Series 1998D Tax-Exempt Bonds & Series 1998E Taxable Bonds
NYS $556,825,000 General Obligation Refunding Bonds, Series 1998F
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1998D.
NYS Thruway Authority Highway and Bridge Trust Fund Refunding Bonds, Series 1998C
COPS, $117,390,000 State of NY, Dated July 15, 1998
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1998A

APPENDIX A (Continued)

DASNY State University Educational Facilities Revenue Bonds, Series 1998B
NYS Urban Development Corporation Revenue Bonds (Sports Facility Assistance Program), 1998A
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1998B
DASNY State University Athletic Facility Revenue Bonds, Series 1998
DASNY Revenue Bonds (Department of Education of the State of New York Issue), Series 1998
NY Local Government Assistance Corporation, Series 1998A Refunding Bonds
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1998E, Series 1998F and Series 1998G
NYS Urban Development Corporation Correctional Facilities Service Contract Revenue Bonds, Series B
COPS, $61,745,000 State of NY, Dated November 1, 1998
DASNY Department of Health Revenue Bonds, Series 1999A
NYS $85,000,000 General Obligation Bonds, Series 1998G
DASNY Revenue Bonds (Office of General Services Issue, Parking Garage) Series 1998
NYS Urban Development Corporation Revenue Bonds (Community Enhancement Facilities Assistance Program), Series 1998
DASNY Service Contract Revenue Bonds (Community Enhancement Facilities Assistance Program Issue) Series 1999A
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1999A, Series 1999B and Series 1999C
NYS Environmental Facilities Corporation Taxable State Service Contract Revenue Bonds, Series 1999 A
NYS $172,655,000 General Obligation Bonds, Series 1999A Tax-Exempt & Series 1999B Taxable Bonds
NYS Energy Research and Development Authority State Service Contract Revenue Bonds, Series 1999A and 1999B (Taxable)
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1999A
DASNY State University Dormitory Facility Revenue Bonds, Series 1999 A,B
DASNY State University Upstate Community Colleges Revenue Bonds, Series 1999A
NYS Urban Development Corporation Revenue Bonds (Community Enhancement Facilities Assistance Program), Series 1999A
DASNY Service Contract Revenue Bonds (Community Enhancement Facilities Assistance Program Issue) Series 1999B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1999B
MTA Dedicated Tax Fund Bonds, Series 1999A
DASNY Office Facilities Lease Revenue Bonds (Department of Audit And Control), Series 1999
NYS $94,730,000 General Obligation Bonds, Series 1999 C (Tax-exempt) and Series D (Taxable)
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1999D
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 1999
DASNY State University Dormitory Facility Revenue Bonds, Series 1999 C
DASNY City University System Consolidated Third General Resolution Revenue Bonds, 1999 Series 1
DASNY Service Contract Revenue Bonds (Community Enhancement Facilities Assistance Program Issue) Series 1999C

APPENDIX A (Continued)

NYS Urban Development Corporation Correctional Facilities Service Contract Revenue Bonds, Series C
COPS, $107,200,000 State of NY, Dated October 20, 1999
DASNY State University Educational Facilities Revenue Bonds, Series 1999
NYS Urban Development Corporation Revenue Bonds (Community Enhancement Facilities Assistance Program), Series 1999B
DASNY City University System Consolidated Second General Resolution Revenue Bonds, Series 2000A
MTA Dedicated Tax Fund Bonds, Series 2000A
NYS Urban Development Corporation Youth Facilities Service Contract Revenue Bonds, Series B
NYS Environmental Facilities Corporation Taxable State Service Contract Revenue Bonds, Series 2000 A
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2000A, Series 2000B
NYS $254,000,000 General Obligation Variable Rate Bonds, Series 2000A and B (Tax-Exempt), Series 2000C (Taxable)
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2000A
DASNY State University Dormitory Facility Revenue Bonds, Series 2000A
NYS Urban Development Corporation Economic Dev. & Natural Resource Preservation Service Contract Bonds, Series A
NYS $108,225,000 General Obligation Bonds, Series 2000D (Tax-Exempt)
DASNY State University Upstate Community Colleges Revenue Bonds, Series 2000A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2000B
DASNY Fashion Institute of Technology Revenue Bonds, Series 2000
DASNY State Judicial Institute at Pace University Insured Lease Revenue Bonds, Series 2000
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2000
DASNY State University Educational Facilities Revenue Bonds, Series 2000 B, Series 2000 C
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2000C, Series 2000D
DASNY 4201 Schools Program Revenue Bonds, Series 2000
DASNY City University System Consolidated Fourth General Resolution Revenue Bonds, Series 2000A
DASNY City University System Consolidated Second General Resolution Revenue Bonds, Series 2000B
NYS Urban Development Corporation Correctional Facilities Service Contract Revenue Bonds, Series D
DASNY State University Upstate Community Colleges Revenue Bonds, Series 2001A
NYS $335,120,000 General Obligation Refunding Bonds, Series 2001 A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2001A
DASNY Service Contract Revenue Bonds (School District RESCUE Program Issue), Series 2001A
Certificate of Participation, $57,430,000, State of New York, Dated March 1, 2001
NYS $156,175,000 General Obligation Variable Rate Bonds, Series 2001B and C (Tax-Exempt), Series 2001D (Taxable)

NYS Environmental Facilities Corporation Taxable Environmental Infrastructure Revenue Bonds, Series 2001 A
NYS $38,895,000 General Obligation Bonds, Series 2001 E (Tax-Exempt)
NYS $54,375,000 General Obligation Bonds, Series 2001 F (Taxable)
DASNY Service Contract Revenue Bonds (Community Enhancement Facilities Assistance Program Issue) Series 2001A
NYS Urban Development Corporation Revenue Bonds (Community Enhancement Facilities Assistance Program), Series 2001A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2001B
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2001
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 2001 A and B (Federally Taxable)
DASNY City University System Consolidated Fourth General Resolution Revenue Bonds, 2001Series A
DASNY State University Dormitory Facility Revenue Bonds, Series 2001
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2001A, Series 2001B
NYS $44,275,000 General Obligation Bonds, Series 2002A (Tax-Exempt Variable Interest Rate Bonds)
NYS $37,225,000 General Obligation Bonds, Series 2002B (Tax-Exempt Variable Interest Rate Bonds)
NYS $36,725,000 General Obligation Bonds, Series 2002C (Tax-Exempt Variable Interest Rate Bonds)
DASNY State University Upstate Community Colleges Revenue Bonds, Series 2002A
NYS Environmental Facilities Corporation Taxable Environmental Infrastructure Revenue Bonds, Series 2002 A
DASNY State University Educational Facilities Revenue Bonds, Series 2002A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2002A
DASNY Service Contract Revenue Bonds (Child Care), Series 2002A
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2002A
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2002B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2002B
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2002
NYS Thruway Authority Highway and Bridge Trust Fund Refunding Bonds, Series 2002C
MTA State Service Contract Revenue Bonds, Series 2002B
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2002A
DASNY State University Dormitory Facility Revenue Bonds, Series 2002
DASNY Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2002A & B
NYS Urban Development Corporation Correctional Facilities Service Contract Revenue Bonds, Series 2002A, B & C
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2002C-1 & C-2
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2002D
NYS Environmental Facilities Corporation Personal Income Tax Revenue Bonds (Environment), Series 2002A & B
DASNY State Personal Income Tax Revenue Bonds (Education), Series 2003A & 2003B (Federally Taxable)
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 2003 Series A Refunding & 2003 Series B Refunding
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, 2003 Series C Refunding & 2003 Series D Refunding

APPENDIX A (Continued)

NY Local Government Assistance Corporation, Series 2003A-A Refunding Bonds (Senior Lien)
NY Local Government Assistance Corporation, Series 2003A-1 Subordinate Lien Refunding Bonds
NY Local Government Assistance Corporation, Series 2003A-2 Subordinate Lien Refunding Bonds
NY Local Government Assistance Corporation, Series 2003A-BV Variable Rate Refunding Bonds (Senior Lien)
NY LGAC, Series 2003A-3V, 2003-4V, 2003-5V, 2003-6V, 2003-7V Variable Rate Subordinate Lien Ref Bonds
NY LGAC, Series 2003A-8V, 2003-9V, 2003-10V, 2003-11V, 2003-12V Variable Rate Subordinate Lien Ref. Bonds
NYS Urban Development Corp. State PIT Revenue Bonds (Economic Development and Housing), Series 2003A-1
NYS Urban Development Corp. State PIT Revenue Bonds (State Facilities and Equipment), Series 2003A-2 (Federally Taxable)
DASNY State Personal Income Tax Revenue Bonds (Economic Development & Housing), Series 2003A & 2003B (Federally Taxable)
DASNY State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2003A
NYS HFA State Personal Income Tax Revenue Bonds (Econ Dev. and Housing), 2003 Series A & 2003 Series B (Federally Taxable)
State of New York General Obligation Bonds, Series 2003A and 2003B (Taxable)
State of New York General Obligation Refunding Bonds, Series 2003C
State of New York General Obligation Bonds, Series 2003D, 2003E (Taxable), & 2003F Refunding Bonds
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2003A
DASNY City University System Consolidated Third General Resolution Revenue Bonds, 2003 Series 1, 2, & 3
DASNY City University System Consolidated Fourth General Resolution Revenue Bonds, 2003 Series A
DASNY City University System Consolidated Fifth General Resolution Revenue Bonds, 2003 Series A, B & C
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2003C-1 & C-2, Series 2003D-1 & D-2, and 2003E-1
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2003B
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2003A
DASNY Secured Hospital Revenue Refunding Bonds (North General Hospital), Series 2003
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, Refunding Series EFGHIJ
State of New York General Obligation Bonds, Refunding Series 2003C
State of New York General Obligation Bonds Ref & NM, Series 2003DEF
NYS Housing Finance Agency Service Contract Obligation Revenue Bonds, Refunding Series KLM
NYS Urban Development Corporation Correctional Facilities and Youth Facilities Refunding 2003AB
NYS Thruway Authority Local Highway and Bridge Service Contract Refunding Bonds 2003ABC
DASNY Revenue Bonds(Department of Education of the State of New York)
DASNY State University Dormitory Facility Revenue Bonds, Series 2003ABC
NYS Environmental Facilities Corporation Taxable Environmental Infrastructure Revenue Bonds, 2003AB
NYS Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development Housing)2004 A+B
DASNY State University Upstate Community Colleges Revenue Bonds, Series 2004A
DASNY State University Upstate Community Colleges Revenue Bonds, Series 2004B

APPENDIX A (Continued)

NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2003B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2003C
DASNY Department of Health Revenue Refunding Bonds, Series 2003
DASNY Mental Health, Series 2003A,B,E-1,E-2,F-1,F-2
NY Local Government Assistance Corporation, Series 2004A-1 Refunding Bonds
NY Local Government Assistance Corporation, Series 2004A-AV,BV,CV,DV Refunding Bonds
NYS Housing Finance Agency Personal Income Tax Revenue Bonds(Economic Development and Housing) Series 2004A+B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2004A
DASNY State Personal Income Tax Revenue Bonds (Education), 2004AB
DASNY State Personal Income Tax Revenue Bonds (State Facilities and Equipment), 2004A
DASNY State Personal Income Tax Revenue Bonds (Economic Development & Housing), 2004AB
DASNY Department of Health Revenue Refunding Bonds, Series 2004 & 2004 Sub-series 2
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2004B
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2004A
DASNY State University Dormitory Facility Revenue Bonds, Series 2004A
NYS Environmental Facilities Corporation Personal Income Tax Revenue Bonds (Environment), Series 2004A & B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2004B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2004A
DASNY State Personal Income Tax Revenue Bonds (Economic Development & Housing), Series 2005A (Federally Taxable)
DASNY City University System Consolidated Fifth General Resolution Revenue Bonds, 2005 A&B Series
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2005 ABC
DASNY State Personal Income Tax Revenue Bonds (Education), 2005 ABC
DASNY Third General Resolution Revenue Bonds (State University Educational Facilities Issue), Series 2005A
DASNY State University Upstate Community Colleges Revenue Bonds, Series 2005 ABC
NYS Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development & Housing)2005 ABC
State of New York General Obligation Bonds, Series 2005AC and 2005B (Taxable)
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2005A
DASNY State PIT Revenue Bonds (Education), Series 2005 DE; (State Facilities) Series 2005A; (Ec Dev & Hsg) Series 2005B
DASNY State University Dormitory Facility Revenue Bonds, Series 2005A
DASNY Department of Health Revenue Refunding Bonds, Series 2005A
NYS Urban Development Corporation Service Contract Refunding Bonds, Series 2005AB
DASNY Albany Airport Refunding Bonds, Series 2005
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2005A
NYS UDC State PITax Revenue Bonds (Economic Development and Housing), Series 2005A-1 and 2005A-2 (Federally Taxable)
NYS Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2005B

APPENDIX A (Continued)

DASNY Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2005BC and 2003C (Remarketing)
NYS Urban Development Corporation State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2005B
DASNY State Personal Income Tax Revenue Bonds (Education), Series 2005F and 2005G (Federally Taxable)
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2005EF
NYS Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2005B
NYS Environment Facilities Corporation State PIT Revenue Bonds (Environment), Series 2006A and 2006B (Federally Taxable)
NYS HFA State PIT Revenue Bonds (Economic Development and Housing), Series 2006AC and 2006B (Federally Taxable)
State of New York General Obligation Bonds, Series 2006A and 2006B (Federally Taxable)
State of New York General Obligation Refunding Bonds, Series 2006C and 2006D (Federally Taxable)
DASNY State Personal Income Tax Revenue Bonds, Series 2006A (Education) and Series 2006A (State Facilities and Equipment)
DASNY State PIT Revenue Bonds (Federally Taxable), Series 2006A (Economic Development and Housing) and Series 2006B (Education)

Appendix B

APPENDIX B

NY Local Government Assistance Corporation, Series 1995 Variable Rate Bonds
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1995A
MCFFA Mental Health Services Facilities Improvement Revenue Bonds, 1995 Series D
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, 1995 Series B
DASNY Department of Health Revenue Bonds, Series 1996
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1996A, 1996B and 1996C
NYS Housing Finance Agency Health Revenue Bonds (New York City), 1996 Series A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, 1996 Series A
DASNY Municipal Health Facilities Improvement Program Lease Revenue Bonds (NYC Issue), Series 1996A
MTA Dedicated Tax Fund Bonds, Series 1996A
NY Local Government Assistance Corporation, Series 1996A Refunding Bonds
DASNY Revenue Bonds (Department of Health Veterans Home Issue) Series 1996
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1996D, 1996E
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1997A
DASNY Municipal Health Facilities Improvement Program Lease Revenue Bonds (NYC Issue), Series 1997A
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1997A, 1997B
NY Local Government Assistance Corporation, Series 1997A Refunding Bonds
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1997B
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1997C, 1997D
NY Local Government Assistance Corporation, Series 1997B Refunding Bonds
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1998A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1998B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1998C
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1998A, 1998B and 1998C
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1998D
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1998E, 1998F and 1998G
NY Local Government Assistance Corporation, Series 1998A Refunding Bonds
MTA Dedicated Tax Fund Bonds, Series 1998A
DASNY Department of Health Revenue Bonds, Series 1998
DASNY Municipal Health Facilities Improvement Program Lease Revenue Bonds (NYC Issue), Series 1998A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1999A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 1999B
MTA Dedicated Tax Fund Bonds, Series 1999A

APPENDIX B (Continued)

DASNY Department of Health Revenue Bonds, Series 1999A
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 1999D
MTA Dedicated Tax Fund Bonds, Series 2000A
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2000A, Series 2000B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2000A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2000B
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2000C, Series 2000D
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2001A
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2001B
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2001
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2001A, Series 2001B
DASNY Municipal Health Facilities Improvement Program Lease Revenue Bonds (New York City Issue), 2001 Series 1 and 2001 Series 2
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2002A
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2001A
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2001B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2002B
NYS Thruway Authority Highway and Bridge Trust Fund Refunding Bonds, Series 2002C
NYS Thruway Authority Local Highway and Bridge Service Contract Bonds, Series 2002
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2002A
DASNY State University Dormitory Facility Revenue Bonds, Series 2002
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2002C-1 & C-2
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2002D
DASNY State Personal Income Tax Revenue Bonds (Education), Series 2003A & 2003B (Federally Taxable)
NY Local Government Assistance Corporation, Series 2003A-A Refunding Bonds (Senior Lien)
NY Local Government Assistance Corporation, Series 2003A-1 Subordinate Lien Refunding Bonds
NY Local Government Assistance Corporation, Series 2003A-2 Subordinate Lien Refunding Bonds
NY Local Government Assistance Corporation, Series 2003A-BV Variable Rate Refunding Bonds (Senior Lien)
NY LGAC, Series 2003A-3V, 2003-4V, 2003-5V, 2003-6V, 2003-7V Variable Rate Subordinate Lien Ref Bonds
NY LGAC, Series 2003A-8V, 2003-9V, 2003-10V, 2003-11V, 2003-12V Variable Rate Subordinate Lien Ref. Bonds
NYS Urban Development Corp. State PIT Revenue Bonds (Economic Development and Housing), Series 2003A-1
NYS Urban Development Corp. State PIT Revenue Bonds (State Facilities and Equipment), Series 2003A-2 (Federally Taxable)
DASNY State Personal Income Tax Revenue Bonds (Economic Development & Housing), Series 2003A & 2003B (Federally Taxable)
DASNY State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2003A

APPENDIX B (Continued)

NYS HFA State Personal Income Tax Revenue Bonds (Econ Dev. and Housing), 2003 Series A & 2003 Series B (Federally Taxable)
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2003A
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2003C-1 & C-2, Series 2003D-1 & D-2, and 2003E-1
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2003B
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2003A
NYS Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development Housing)2004 A+B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2003B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2003C
DASNY Department of Health Revenue Refunding Bonds, Series 2003
DASNY Mental Health, Series 2003A,B,E-1,E-2,F-1,F-2
NY Local Government Assistance Corporation, Series 2004A-1 Refunding Bonds
NY Local Government Assistance Corporation, Series 2004A-AV,BV,CV,DV Refunding Bonds
NYS Housing Finance Agency Personal Income Tax Revenue Bonds(Economic Development and Housing) Series 2004A+B
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2004A
DASNY State Personal Income Tax Revenue Bonds (Education), 2004AB
DASNY State Personal Income Tax Revenue Bonds (State Facilities and Equipment), 2004A
DASNY State Personal Income Tax Revenue Bonds (Economic Development & Housing), 2004AB
DASNY Department of Health Revenue Refunding Bonds, Series 2004 & 2004 Sub-series 2
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2004B
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2004A
NYS Environmental Facilities Corporation Personal Income Tax Revenue Bonds (Environment), Series 2004A & B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2004B
NYS Urban Development Corp. State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2004A
DASNY State Personal Income Tax Revenue Bonds (Economic Development & Housing), Series 2005A (Federally Taxable)
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2005 ABC
DASNY State Personal Income Tax Revenue Bonds (Education), 2005 ABC
NYS Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development & Housing)2005 ABC
NYS Thruway Authority Highway and Bridge Trust Fund Bonds, Series 2005A
DASNY State PIT Revenue Bonds (Education), Series 2005 DE; (State Facilities) Series 2005A; (Ec Dev & Hsg) Series 2005B
DASNY State University Dormitory Facility Revenue Bonds, Series 2005A
DASNY Department of Health Revenue Refunding Bonds, Series 2005A
NYS Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2005A
NYS UDC State PIT Revenue Bonds (Economic Development and Housing), Series 2005A-1 and 2005A-2 (Federally Taxable)
NYS Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2005B
DASNY Lease Revenue Bonds (State University Dormitory Facilities Issue), Series 2005BC and 2003C (Remarketing)

APPENDIX B (Continued)

NYS Urban Development Corporation State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2005B
DASNY State Personal Income Tax Revenue Bonds (Education), Series 2005F and 2005G (Federally Taxable)
NYS HFA State PIT Revenue Bonds (Economic Development and Housing), Series 2006AC and 2006B (Federally Taxable)
DASNY Mental Health Services Facilities Improvement Revenue Bonds, Series 2005EF
NYS Urban Development Corporation Service Contract Revenue Refunding Bonds, Series 2005B
NYS Environment Facilities Corporation State PIT Revenue Bonds (Environment), Series 2006A and 2006B (Federally Taxable)
NYS HFA State PIT Revenue Bonds (Economic Development and Housing), Series 2006AC and 2006B (Federally Taxable)
DASNY State Personal Income Tax Revenue Bonds, Series 2006A (Education) and Series 2006A (State Facilities and Equipment)
DASNY State PIT Revenue Bonds (Federally Taxable), Series 2006A (Economic Development and Housing) and Series 2006B (Education)