

***NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION***

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 2005

A REPORT TO:

The Honorable George E. Pataki
Governor of the State of New York

The Honorable Alan G. Hevesi
Comptroller of the State of New York

The Honorable Joseph Bruno
Majority Leader and President Pro Tem
New York State Senate

The Honorable Sheldon Silver
Speaker
New York State Assembly

The Honorable Owen H. Johnson
Chairman
Senate Finance Committee

The Honorable Herman D. Farrell Jr.
Chairman
Assembly Ways and Means Committee

Submitted by the Chairperson and Directors of the

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

for the fiscal year ended March 31, 2005

BOARD OF DIRECTORS:

Maryanne Gridley	Chairperson and Director
Alan G. Hevesi	Director
John F. Cape	Director

EXECUTIVE STAFF: (as of May 17, 2005)

Ron Rock	Co-Executive Director and Secretary
Kim Fine	Co-Executive Director
Patricia Warrington	Treasurer
Eliot Spitzer	General Counsel

ORIGIN AND PURPOSES OF THE CORPORATION

The New York Local Government Assistance Corporation ("LGAC" or the "Corporation") was created as a State public benefit corporation on June 11, 1990 by Chapter 220 of the Laws of 1990. Subsequent legislation (Chapter 2 of the Laws of 1991) amended LGAC's enabling statute to strengthen the Corporation's credit structure. LGAC's fiscal year begins on April 1 and ends on March 31.

LGAC was empowered to issue bonds or notes to make payments of up to \$4.7 billion to local governments and school districts in New York State. Legislative authorization was required annually to specify the use of LGAC bond or note proceeds, thereby authorizing issuance of bonds for those particular purposes. The Corporation issued the last of its \$4.7 billion authorization during its 1995-96 fiscal year which completed the Corporation's issuances for local assistance payments. The Corporation may now issue bonds only for the purpose of refunding outstanding bonds of the Corporation to achieve interest rate savings.

LGAC was created as an integral part of an overall program of State fiscal reform to eliminate the State's practice of financing substantial amounts of local assistance payments during the first quarter of the State's fiscal year through the issuance of short-term tax and revenue anticipation notes (the "Spring Borrowing"). LGAC's bonds were issued for the purpose of making payments to local governments and school districts in a manner that provides such funds to such entities earlier than had been the State's traditional practice. All payments made by the Corporation were made to New York's school districts. The success of LGAC's program is evidenced by the fact that the State has not conducted a Spring Borrowing since its 1994-95 fiscal year.

GOVERNANCE

LGAC is governed by a three-member Board of Directors, comprised of the State Comptroller and the Director of the Budget of the State of New York, both of whom serve "ex officio," and a third Director who is appointed by the Governor. On February 6, 2003, the Governor appointed Maryanne Gridley as a Director of the Corporation. Ms. Gridley also serves as LGAC's Chairperson. The Directors receive no compensation from LGAC.

In addition, the Secretary to the Senate Finance Committee of the State Senate and the Secretary to the Ways and Means Committee of the State Assembly are non-voting representatives on the Board.

The Directors establish, direct and monitor adherence to LGAC's policies and approve all major activities of the Corporation, including each issuance of bonds or notes by LGAC. A unanimous vote of the Directors is necessary to authorize the issuance of LGAC bonds or notes.

OPERATIONS

State officers and employees act as officers and staff of the Corporation. The LGAC Directors appoint the officers of LGAC. Ron Rock, First Deputy Director in the Division of the Budget serves as Co-Executive Director and Secretary. Kim Fine, Deputy Comptroller in the Office of the State Comptroller serves as Co-Executive Director. Patricia Warrington, Director of Debt Management in the Office of the State Comptroller serves as LGAC's Treasurer. Eliot Spitzer, the State's Attorney General, is General Counsel for LGAC. In addition, pursuant to an agreement between the Corporation and the Office of the State Comptroller, the Comptroller acts as "Exclusive Agent" for the administration of the sale of LGAC's bonds and for the investment of the Corporation's funds. State officers and staff receive no compensation from LGAC for services provided to the Corporation.

The Legislature appropriated and the State paid \$6 million, pursuant to the Chairperson's certification, to LGAC for operating expenses in its fiscal year ending March 31, 2005. These funds were used principally for support of payments to the Corporation's trustee, remarketing agents for the Corporation's variable interest rate bonds, the banks providing letters-of-credit for its variable interest rate bonds, and the Corporation's financial advisor and bond counsel. The Legislature also appropriated additional funds if necessary for all state-supported debt (including LGAC) during 2004-05 for the purpose of funding payments for interest rate exchanges and similar agreements. The Corporation's appropriation was sufficient for all payments.

CORPORATION BONDS

The Corporation's bonds are general obligations of LGAC. Debt service is payable from payments received by LGAC, following appropriation by the State Legislature, from the State's Local Government Assistance Tax Fund (LGATF). The LGATF, which is in the joint custody of the State Comptroller and the State Commissioner of Taxation and Finance, receives one cent of the State's four cent sales and compensating use tax. (Legislation enacted in 2003 temporarily raised the State sales tax rate to 4.25 percent effective June 1, 2003 to May 31, 2005.) These tax receipts are held in the LGATF and are not available to the State until an appropriation sufficient to cover LGAC's required payments, as certified by the Chairperson, is authorized by the Legislature. Once provision is made for required payments to LGAC, funds in excess of the amounts required are transferred to the State's General Fund and are available for State operating purposes. If on any date there are insufficient moneys in the LGATF to make a required payment to the Corporation, the Comptroller is required to transfer sufficient moneys from the State's General Fund to make up the deficiency. To date no such transfers have been required.

BONDS OUTSTANDING

The Corporation had \$4,448,794,591.70 of its bonds outstanding as of March 31, 2005, excluding the increase in appreciated value of capital appreciation bonds. Approximately \$125 million in interest had accreted on the Corporation's outstanding capital appreciation bonds as of April 1, 2005. A schedule of debt service for outstanding Corporation bonds appears as Attachment A to this Annual Report.

DEBT SERVICE PAYMENTS

During its 2004-05 fiscal year, LGAC made \$302.5 million in debt service payments on its outstanding fixed and variable rate bonds. These debt service payments were made from moneys received from the State and other moneys available to LGAC (i.e., investment earnings on the Corporation's capital reserve fund and debt service funds).

The Office of the State Comptroller reported to the Corporation that \$10,587,346,000 was received by the State from the 4.25% sales tax during the State's 2004-05 fiscal year, an increase of 9.97% from the amount received during the 2003-04 fiscal year. The following schedules show (i) historical information relating to sales tax receipts from State fiscal years 1995-96 through 2004-05 and (ii) the debt service coverage ratio for the Corporation's outstanding bonds using receipts from the 1% sales tax during the 2004-05 fiscal year:

SALES TAX RECEIPTS ⁽¹⁾ (Thousands of Dollars)

State Fiscal Year	Net Receipts Of Sales Tax (At 4%)(2)	Net Receipts of 1% Sales Tax (2)	Annual Rate of Growth (Decline)(3)
1995-96	6,658,937	1,664,734	2.08(4)
1996-97	6,970,006	1,742,502	4.67(5)
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	2,043,700	(2.25)
2002-03	8,434,100	2,106,500	3.07
2003-04	9,507,878	2,266,814	7.61
2004-05	10,587,346	2,492,739	9.97

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- (1) These amounts reflect receipts of the full amount of the sales and compensating use tax deposited in the General Fund and the Tax Fund.
 - (2) Net of refunds and effective 6/1/2003 – 5/31/2005 the sales tax rate was changed to 4.25%.
 - (3) Unadjusted for rate and base changes. Represents growth rate of 1% Sales Tax.
 - (4) Reflects loss in non-recurring EFT revenue gain of \$5 million and the loss of more than \$50 million in exceptional audits in the State's 1994-95 fiscal year.
 - (5) Reflects loss in non-recurring EFT revenue gain of \$40 million in the State's 1995-96 fiscal year.

DEBT SERVICE COVERAGE RATIO
New York Local Government Assistance Corporation
(Thousands of Dollars)

2004-05 Fiscal Year 4% Sales Tax Receipts	\$10,587,346
2004-05 Fiscal Year 1% Sales Tax Receipts (1)	\$ 2,478,518
Maximum Annual Debt Service (2)	\$ 377,637
Debt Service Coverage (3)	6.56

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- (1) Net of approximately \$14,220,882 in collection expenses. Does not include interest earnings during periods Sales Tax is impounded.
- (2) Amounts include actual outstanding debt service. For variable rate issues, "Maximum Annual Debt Service" includes interest and fees on such Bonds at March 31, 2005.
- (3) Assumes no interest earnings on the Capital Reserve Fund.

AUDITED FINANCIAL STATEMENTS

The audited consolidated financial statements of LGAC for the fiscal year ended March 31, 2005 are attached as Attachment B to this Annual Report, including the Independent Auditor's Report on the Financial Statements. As in prior fiscal years of the Corporation, there were no exceptions taken in the auditor's report.

DEBT SERVICE

Total Outstanding excluding Variable Rate Interest
 All series in New York Local Government Assistance Corporation (LGAC)
 As of Apr 1, 2005 through Maturity

Period Ending	Principal	Coupon	Interest	Compounded Interest	Debt Service
03/31/2006	131,577,444.00	**	115,701,952.52	8,507,556.00	255,786,952.52
03/31/2007	113,266,408.25	**	111,092,792.52	30,248,591.75	254,607,792.52
03/31/2008	150,719,136.65	**	106,253,273.77	31,360,863.35	288,333,273.77
03/31/2009	162,338,508.65	**	100,448,815.02	37,706,491.35	300,493,815.02
03/31/2010	195,808,164.15	**	93,424,182.52	15,286,835.85	304,519,182.52
03/31/2011	205,076,856.20	**	85,160,407.52	15,693,143.80	305,930,407.52
03/31/2012	230,970,000.00	**	75,911,332.52		306,881,332.52
03/31/2013	242,265,000.00	**	65,479,268.14		307,744,268.14
03/31/2014	237,122,788.70	**	55,160,096.89	19,262,211.30	311,545,096.89
03/31/2015	241,205,285.10	**	46,943,860.02	19,779,714.90	307,928,860.02
03/31/2016	280,650,000.00	**	39,495,511.27		320,145,511.27
03/31/2017	294,490,000.00	**	31,090,490.64		325,580,490.64
03/31/2018	308,935,000.00	**	23,191,350.01		332,126,350.01
03/31/2019	323,440,000.00	**	18,043,137.51		341,483,137.51
03/31/2020	337,815,000.00	**	12,908,056.26		350,723,056.26
03/31/2021	353,575,000.00	**	6,172,271.88		359,747,271.88
03/31/2022	295,930,000.00	**	1,506,250.00		297,436,250.00
03/31/2023	138,970,000.00	**	125.00		138,970,125.00
03/31/2024	101,780,000.00				101,780,000.00
03/31/2025	62,460,000.00				62,460,000.00
03/31/2026	40,400,000.00				40,400,000.00
	4,448,794,591.70		987,983,174.01	177,845,408.30	5,614,623,174.01