SUPPLEMENT TO THE ANNUAL INFORMATION STATEMENT

Dated April 5, 2002

This supplement to the Annual Information Statement ("AIS") is dated April 5, 2002 and contains information only about the specific matters described herein and only through this date. This is the first supplement to the Annual Information Statement dated October 2, 2001, as last updated on January 31, 2002 (the "January Update"). The State typically issues a supplement shortly after the close of the fiscal year to report on actual Financial Plan results and other developments since the prior Update to the AIS. Both the AIS and the January Update should be read in their entirety along with the information contained in this supplement.

This supplement summarizes (a) preliminary unaudited cash-basis operating results for the General Fund for the 2001-02 fiscal year, (b) the Governor's 30-day amendments to his proposed 2002-03 Executive Budget and Financial Plan, (c) the Division of the Budget's ("DOB") updated forecast for the national economy based upon recent data, and (d) recent developments concerning litigation against the State.

Readers may obtain the AIS, updates, supplements and disclosure guidance notes by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705, or the Office of the State Comptroller, 110 State Street, Albany, NY 12236, (518) 474-4015. Informational copies of the AIS, updates and supplements are also available electronically on the DOB Internet site at http://www.state.ny.us/dob, as well as on file with Nationally Recognized Municipal Securities Information Repositories.

2001-02 Financial Plan

On March 4, 2002, DOB released a Disclosure Guidance Note (the "DGN") to provide municipal bond market participants with interim financial trend information regarding the State of New York (the "State"). In the DGN, DOB reported that, based upon preliminary results through the end of February 2002, tax receipts fell short of 2001-02 Financial Plan projections (the "January Financial Plan") by approximately $500 million for this period. DOB further noted that it was unclear how much of this shortfall was related to the timing of tax payments, which would not affect annual financial plan balance if the associated tax payments were received in March 2002, and how much was related to deteriorating economic conditions.

Since that time, preliminary unaudited actual results for the 2001-02 fiscal year have become known. Actual results show that a substantial portion of the potential receipts shortfall discussed in the DGN did not materialize, indicating that the variance reported at that time was substantially related to the timing of payments.

The Office of the State Comptroller ("OSC") reports that General Fund receipts and transfers from other funds totaled $41.14 billion in 2001-02. This total reflects the impact of the refund reserve transaction (discussed below), which is used to adjust personal income tax receipts across fiscal years and has the effect of lowering actual receipts in the year in which the transaction occurs. When the refund reserve is adjusted for the deposit of $1.07 billion for economic uncertainties, General Fund receipts and transfers from other funds totaled $42.21 billion, a decrease of $225 million from the January Financial Plan published by DOB (the January Financial Plan also adjusted the refund reserve for a projected deposit of $1.13 billion for economic uncertainties).

General Fund disbursements, including transfers to other funds, totaled $41.22 billion for the 2001-02 fiscal year, $233 million below the January Financial Plan projections. DOB believes that a portion of the lower amount of spending is attributable to the timing of payments and that these payments will occur instead in the 2002-03 fiscal year.

On an unaudited basis, the State ended its 2001-02 fiscal year in balance on a cash basis, with a General Fund closing balance of $1.03 billion, excluding amounts on deposit in the refund reserve account, as described below. The unaudited closing General Fund balance consists of the following: $710 million in the Tax Stabilization Reserve Fund (after a deposit of $83 million in fiscal year 2001-02); $159 million in the Community Projects Fund, which pays for legislative and gubernatorial initiatives; $157 million in the Contingency Reserve Fund (the planned use of $70 million in fiscal year 2001-02 to finance a portion of the State's settlement in the Yonkers desegregation lawsuit will not occur until fiscal year 2002-03); and $5 million in the Universal Pre-Kindergarten Fund.

The State had a balance of $1.68 billion on deposit in the refund reserve account at the end of the 2001-02 fiscal year, a decrease of $68 million from the level projected in the January Financial Plan. The amount consists of $1.07 billion in reserves for economic uncertainties that is planned for use in fiscal year 2002-03 and $611 million set aside to pay for tax refunds during 2002-03.

2002-03 Financial Plan

The State Legislature enacted appropriations for all State-supported, contingent contractual, and certain other debt service obligations for the entire 2002-03 fiscal year on March 26, 2002. However, the State failed to take final action on all other Executive Budget recommendations by April 1, the start of the 2002-03 fiscal year. Legislation was enacted on March 26, 2002 that extends certain revenue-raising authority and makes interim appropriations for State personal service costs, various grants to local governments, and other necessary items generally for the period from April 1 through April 7, 2002. In prior years, the State has enacted similar interim appropriations to permit the State to continue operations until final action on the budget and expects to do so after April 7, 2002 until final action on the 2002-03 budget. The Governor and Legislative leaders are continuing negotiations over the budget for fiscal year 2002-03.

On January 22, 2002, the Governor submitted the 2002-03 Executive Budget to the Legislature in accordance with the provisions of the State Constitution and the State Finance Law. On February 21, the Governor submitted amendments to his Executive Budget, as authorized by the State Constitution. The revised financial projections reflect the Governor's proposed amendments to his 2002-03 Executive Budget as provided for under the State Constitution.

The amendments recommended by the Governor do not alter the 2002-03 General Fund projections for receipts and disbursements contained in the Executive Budget. Total receipts and transfers from other funds are projected to total $38.85 billion; total disbursements and transfers to other funds are projected at $40.22 billion. The State still expects to end the 2002-03 fiscal year with a closing General Fund balance of $710 million (all of which is expected to be held in the Tax Stabilization Reserve Fund).

The amendments recommend additional funding to pay interest costs on a one-time loan from the Federal government to help support higher than expected Unemployment Insurance Benefit payments caused by the World Trade Center disaster and the national recession ($11 million), but these costs are expected to be fully offset by enactment of a proposal to lower interest rates paid by the State on court judgments against the State from 9 percent to the prevailing market rate, which is currently at approximately 2 percent ($11 million). The Governor has also amended the Executive Budget to include technical amendments related to the proposed Empire Opportunity Fund economic development program and made other corrections that do not affect overall General Fund spending levels. Projected 2002-03 All Funds disbursement estimates increased by $271 million, primarily as a result of the changes proposed for the Empire Opportunity Fund.

The Executive Budget, as amended, projects General Fund budget gaps of $2.8 billion for 2003-04 and $3.3 billion for 2004-05 fiscal years, essentially unchanged from estimates provided in the Executive Budget submission. In recent years, the State has closed projected budget gaps which DOB estimated at $5.0 billion (1995-96), $3.9 billion (1996-97), $2.3 billion (1997-98), and less than $1.0 billion (1998-99 through 2000-01).

The outyear gap projections continue to assume enactment of the Executive Budget, as amended, in its entirety. There can be no assurance that the Legislature will enact the Governor's Executive Budget, as amended, or that the State's adopted budget projections will not differ materially and adversely from the projections set forth at this time.

Since the introduction of the Executive Budget, DOB has modestly increased its growth forecast for the U.S. economy to reflect new data. This revision is largely attributable to a stronger performance for the fourth quarter of 2001 than previously anticipated. Real U.S. Gross Domestic Product (GDP) grew 1.2 percent during the fourth quarter, instead of declining as many economists expected. This growth was primarily a result of a significant jump in car sales and remains subject to revision. However, this revision did not significantly alter the projected pattern of quarterly growth in real output through the end of first quarter of 2002. The DOB forecast assumes that the national recession will have lasted through the end of the first quarter of 2002. Based on the most recent information available, DOB now projects economic growth, as measured by growth in real U.S. GDP, of 1.6 percent for 2002. Employment is now projected to decline 0.3 percent for the current calendar year.

For a more detailed discussion of uncertainties involving the State's forecasts and projections, as well as the State's budgetary process, see the sections entitled "Special Considerations" and "State Organization -- State Financial Procedures" in the AIS and the January Update.

Special Considerations

On March 9, 2002, the President signed economic stimulus legislation, which includes temporary tax provisions aimed at creating redevelopment incentives for businesses located in the Liberty Zone, the areas surrounding the World Trade Center site. The Liberty Zone provisions expand the work opportunity tax credit, authorize the issuance of $8 billion in tax-exempt private activity bonds, allow for advance refunding of certain bonds for facilities in New York City and increase the small business expensing limit.

Certain components of this package have the potential to adversely affect State tax revenues. The most significant impact concerns a provision that allows expanded expensing of investment costs against federal taxable income. Since the State uses federal taxable income as the starting point for calculating taxable income, the provision will adversely impact State tax revenues unless the State acts to restructure the basis for calculating the tax.

The City of New York

Continuing recovery, cleanup and repair efforts following the September 11, 2001 attack on the World Trade Center will result in substantial expenditures for New York City (the "City"). The U.S. Congress passed emergency supplemental legislation which authorized $40 billion for increased disaster assistance, increased security costs, rebuilding infrastructure systems and other public facilities, and disaster recovery and related activities, at least $20 billion of which was for disaster recovery activities and assistance in New York, Pennsylvania and Virginia. Congress has already appropriated over $10 billion toward this $20 billion commitment to recovery, and funding is currently available to reimburse localities for clean up costs, to reimburse hospitals for lost revenue, and to provide funding for job training activities and economic redevelopment. On March 9, 2002 the President signed nation-wide economic stimulus legislation, which includes $5 billion toward the $20 billion commitment in the form of temporary tax provisions aimed at creating redevelopment incentives for businesses located in the

Liberty Zone, the areas surrounding the World Trade Center site. The Liberty Zone provisions expand the work opportunity tax credit, authorize the issuance of $8 billion in tax-exempt private activity bonds, allow for advance refunding of certain bonds for facilities in New York City and increase the small business expensing limit.

Prior to September 11, 2001 the national and local economies had been weakening, reflecting lower business investment, increased unemployment, and declining consumer confidence. The destruction of the World Trade Center had a substantial impact on the City and its economy. Reduced economic activity lowered corporate profits, increased the rate of job loss, and reduced consumer spending, which reduced collections for several of the City's major economically sensitive tax revenues and negatively impacted tentative fiscal year 2003 property tax values for some parcels, especially in the downtown area. With the national economy beginning to recover from the recession, the prospects for the financial firms in the City are improving and a lift in the financial markets is expected.

In June 2001, the City issued a Financial Plan that projected a balanced budget for fiscal year 2002 and budget gaps of $2.8 billion in fiscal year 2003, $2.6 billion in fiscal year 2004, and $2.2 billion in fiscal year 2005. In February 2002, the City released a modification to the June Financial Plan, which reflects changes since the June Financial Plan (as previously modified in December 2001) that decreased projected net revenues and increased projected net expenditures. Changes in projected revenues include a decline in projected net tax revenues of $792 million, $1.3 billion, $1.2 billion, and $1.3 billion in fiscal years 2002 through 2005, respectively, reflecting primarily decreases in projected personal income, business and sales tax revenues as a result of the September 11th attack and the national recession. Changes in projected expenditures since the June Financial Plan include higher pension costs, resulting primarily from investment losses in fiscal year 2001, and an increase in labor costs to reflect the cost of wage increases for the uniformed forces coalition above the settlement with the union that represents most civilian employees.

Prior to the gap-closing program discussed below, the revenue and expenditure changes since the June Financial Plan resulted in projected budget gaps of $1.2 billion in fiscal year 2002, $4.8 billion in fiscal year 2003, $5 billion in fiscal year 2004, $5.4 billion in fiscal year 2005, and $5.6 billion in fiscal year 2006. The February Financial Plan sets forth gap-closing actions to eliminate the projected gaps for fiscal years 2002 and 2003, and to reduce the projected gaps for fiscal years 2004 through 2006 to $2.6 billion, $2.9 billion, and $3.1 billion, respectively. The gap-closing program includes resources from agency actions and actions anticipated to be taken by the federal and state governments, and the municipal unions. The budgets for fiscal years 2002 and 2003 also include nearly $2 billion in bond proceeds from the New York City Transitional Finance Authority to cover a portion of the costs and revenue losses related to the September 11th attack on the World Trade Center. The City's gap estimates do not make any provision for a potential shortfall in pension fund investment earnings in fiscal year 2002; wage increases for teachers, police officers and firefighters beyond those negotiated with the unions representing other civilian and uniformed employees; wage increases for any employees beyond the current round of collective bargaining; or a loss in business tax revenues due to recent federal tax benefits for businesses.

Other Localities

Certain financial aid for Nassau County is expected to continue to be paid over the next three, rather than two, fiscal years ($20 million in fiscal year 2002-03 and $15 million in both fiscal year 2003-04 and 2004-05).

Litigation

Real Property Claims

On March 4, 1985 in *Oneida Indian Nation of New York, et al. v. County of Oneida*, the United States Supreme Court affirmed a judgment of the United States Court of Appeals for the Second Circuit holding that the Oneida Indians have a common-law right of action against Madison and Oneida counties for wrongful possession of 872 acres of land illegally sold to the State in 1795. At the same time, however, the Court reversed the Second Circuit by holding that a third-party claim by the counties against the State for indemnification was not properly before the federal courts. The case was remanded to the District Court for an assessment of damages, which action is still pending. The counties may still seek indemnification in the State courts.

In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejectment, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejectment.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The defenses that were dismissed may not be asserted as to liability, but may still be asserted with respect to damages. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Civil Rights Claims

Yonkers

On March 26, 2002, after notice and hearing, the District Court approved the settlement proposed and accepted by all parties. Under the terms of the proposed settlement, the Yonkers public schools would be deemed desegregated, and control of the schools by the Yonkers Board of Education would resume. The State would agree to pay a total of $300 million dollars to finance specified educational programs for the Yonkers public schools over the next five years, with the last payment to be made in the 2006-07 State fiscal year. The proposed settlement would take effect after: 1) the District Court enters an order approving the settlement; 2) the District Court vacates all prior remedial orders; 3) the District Court enters an order severing this action from other claims of housing discrimination; 4) the District Court enters a judgment dismissing the education claims with prejudice, subject only to the Court's retention of ancillary jurisdiction to enforce the terms of the settlement; and 5) the State Legislature approves the first annual funding obligation in the State's 2002-03 fiscal year, expressly recognizing the total amount due under the funding schedule. The District Court has issued an oral order approving the settlement and recognizing that these contingencies have all taken place. Entry of a formal order and judgment is pending.