

Supplement to the 2009-10 Annual Information Statement (AIS) State of New York

May 29, 2009

This Supplement to the AIS dated May 15, 2009 provides (1) a preliminary discussion of the State's projected General Fund operating results through the first two months of fiscal year 2009-10 compared to the cash-flow forecast through May 2009 contained in the AIS, (2) an update on the State Retirement Systems, and (3) a summary of certain recent litigation against the State. The AIS and this Supplement should be read in their entirety.

PRELIMINARY OPERATING RESULTS (THROUGH MAY 2009)

The Division of the Budget ("DOB") published a monthly cash-flow forecast for fiscal year 2009-10 in the AIS. Based on information to date, DOB now estimates that the cumulative variance in General Fund receipts (including transfers from other funds) for the two-month period ending May 31, 2009 may be in the range of \$400 million to \$700 million below the cash-flow forecast contained in the AIS. Lower than expected personal income tax ("PIT") collections are expected to account for most of the projected variance. PIT collections to date reflect lower final payments and higher refunds related to calendar year 2008 as well as the phased-in timing of the implementation of the PIT increase approved in the 2009-10 Enacted Budget. It is possible that the negative variances from the cash-flow forecast experienced through May will continue in subsequent months. DOB expects that June 2009 results will provide more definitive information as to whether the variances observed in the first two months of the fiscal year are substantially timing-related or performance based (indicating the need for potential revisions to the annual receipts forecast). In particular, June 2009 collections will reflect a second full month of withholding on wages and the first estimated payments on 2009 tax liability under the PIT increase (as well as additional information on the performance of other State taxes compared to the current forecast, including the first reconciliation of business tax payments on 2009 tax liability). In addition, litigation concerning the State's Bottle Bill (see below) may adversely affect planned receipts in 2009-10. The Financial Plan for 2009-10 includes \$115 million related to amendments to the Bottle Bill approved in the Enacted Budget. General Fund disbursements (including transfers to other funds) are expected to be approximately \$100 million to \$200 million below the cash-flow forecast through May 2009 with variances in individual programs generally appearing to be timing-related. The Enacted Budget authorizes the General Fund to borrow resources temporarily from other funds for a period not to exceed four months (or the close of the fiscal year, whichever is shorter). DOB expects periodic negative balances during the fiscal year, especially in the first quarter of 2009-10, before the benefit of approved actions in the Enacted Budget are fully realized (See "Special Considerations" in the AIS for a complete discussion). The State Comptroller is expected to publish unaudited operating results for May 2009 in mid-June 2009.

During July 2009, DOB will undertake a comprehensive review of operating results through the first quarter of 2009-10, updated economic data, and other factors in preparation for the First Quarterly Update to the AIS that is expected to be issued either in late July or early August 2009. The First Quarterly Update will reflect updated annual operating estimates to the multi-year Financial Plan.

STATE RETIREMENT SYSTEMS

On May 29, 2009 the State Comptroller released a preliminary estimate indicating that the rate of return for the New York State Common Retirement Fund ("Fund") assets was a negative 26.3 percent, with the Fund value declining to approximately \$109.9 billion for the fiscal year that ended March 31, 2009. The Comptroller attributed the Fund's decline to the global economic crisis, which drove the major U.S. stock indices down between 33 and 40 percent. The Comptroller said the market downturn would require higher employer pension contribution rates in future years, and proposed legislation to give State and local government employers an option to manage those expected increases.

LITIGATION

In International Bottled Water Association, et al. v. Paterson, et al., plaintiffs seek declaratory and injunctive relief declaring that certain amendments to the State's Bottle Bill enacted on April 7, 2009 as part of the 2009-2010 budget violate the due process clause, the equal protection clause and the commerce clause of the United States Constitution. On May 27, 2009, the United States District Court for the Southern District of New York issued a preliminary injunction staying the June 1, 2009 effective date of the amendments to the Bottle Bill and declared that the section of the amendments which requires that the plaintiffs and other beverage manufacturers and distributors place a unique New York-exclusive universal product code on all bottles covered by the law that are offered for sale in the State violates the commerce clause of the United States Constitution. By order entered May 29, 2009 that superseded the above-referenced May 27, 2009 preliminary injunction, the district court granted a preliminary injunction that (1) enjoined the State from implementing or enforcing the New-York exclusive universal product code provision of the Bottle Bill and (2) enjoined the State from implementing or enforcing any and all other amendments to the Bottle Bill signed into law on April 7, 2009, until April 1, 2010, to allow persons subject to the amendments sufficient time to comply with the law's requirements.