SUPPLEMENT TO THE THIRD QUARTERLY UPDATE TO THE ANNUAL INFORMATION STATEMENT

Supplement Dated May 12, 2010

This is the Second Supplement to the Third Quarterly Update to the Annual Information Statement of the State of New York, dated February 15, 2010 (the "Third Quarterly Update"), and it contains information only through May 12, 2010, and should be read in its entirety, together with the Third Quarterly Update.

Financial Plan

The table below summarizes the changes to the Financial Plan projections for 2009-10 and 2010-11 since the amended Executive Budget.

Impact of 2009-10 Results on 2010-11 Budget Gap
General Fund -- Savings/(Costs)
Dollars in Millions

	2009-10	2010-11	Two-Year Total
Estimated General Fund Budget Gap Before Executive Recommendations (February 2010)	**(1,380)**	**(6,788)**	**(8,168)**
Consensus Revenue Forecast	0	(850)	(850)
Tax Penalty Forgiveness Program	(215)	0	(215)
Other Forecast Reestimates	(39)	94	55
Gaps Before Actions to Carry-Forward 2009-10 Shortfall	**(1,634)**	**(7,544)**	**(9,178)**
Payment of Tax Refunds	500	(500)	0
School Aid End of Year Payment	2,063	(2,063)	0
Cash Reserved to Pay Deferred Payments	(929)	929	0
Revised General Fund Budget Gap Before Executive Recommendations	**0**	**(9,178)**	**(9,178)**
2010-11 Executive Budget Gap-Closing Proposals			
Executive Budget Proposal *	0	8,654	8,654
Federal Aid **		(96)	(96)
Supplemental Executive Gap-Closing Proposals	0	620	620
General Fund Budget Gap After Executive Proposals	**0**	**0**	**0**

* Includes the recurring value of the December 2009 Deficit Reduction Plan ($692M).

** The estimated value of enhanced FMAP and other federal aid has been reduced by a net $96M based on the potential impact of certain proposals under consideration by Congress and other changes.

The Executive Budget Financial Plan for 2010-11, as amended,[1] included $8.7 billion in recommendations to eliminate a projected General Fund budget gap of $8.2 billion for 2010-11. This projected budget gap included an estimated budget shortfall of $1.4 billion in 2009-10 that the State

[1] 2010-11 Executive Budget Financial Plan: Updated for Forecast Revisions and Governor's Amendments, February 9, 2010. See the Third Quarterly Update to the AIS for an in-depth discussion of the Executive Budget Financial Plan.

expected to carry forward into 2010-11 through the deferral of payments scheduled for 2009-10 but not due by law until 2010-11.

Since the submission of the amended Executive Budget Financial Plan on February 9, 2010, the Division of the Budget ("DOB") has increased the projected General Fund budget gap for 2010-11 by approximately $1 billion, to $9.2 billion. The change in the projected budget gap reflects the impact of (a) the consensus revenue forecast for the economy and estimates of receipts for the 2009-10 and 2010-11 fiscal years, dated March 1, 2010 (the "Consensus Forecast"), and (b) a $160 million increase in the budget shortfall for 2009-10 that was carried forward into 2010-11. As required by State law, the Executive and Legislature issued the Consensus Forecast, which concluded that tax receipts in fiscal year 2010-11 would be approximately $850 million lower than the levels forecast in the amended Executive Budget Financial Plan.

In addition, based on the evaluation of preliminary, unaudited results for the State's 2009-10 fiscal year, DOB estimates that the size of the 2009-10 budget shortfall contributing to the 2010-11 budget gap increased to approximately $1.6 billion, or $160 million more than the $1.4 billion estimated in the amended Executive Budget Financial Plan. The increase in the shortfall was due to lower than expected receipts in March 2010 from a tax penalty forgiveness program ($215 million) that was enacted as part of a mid-year deficit reduction plan for 2009-10, offset by positive forecast revisions based on year-end results ($55 million over two years).

The gap-closing plan continues to assume that the Federal government will extend, for six months, the temporary increase in the Federal Medical Assistance Percentage ("FMAP") originally authorized in the American Recovery and Reinvestment Act. However, based on current proposals in Congress and other information, DOB has reduced the estimated FMAP benefit in 2010-11 by approximately $300 million. This estimated reduction is offset in part by anticipated additional Federal reimbursement of $204 million in 2010-11 related to the Medicare Part D program, resulting in a net loss in recommended savings of $96 million.

To maintain a balanced Executive Budget Financial Plan, the Governor on April 26, 2010 proposed an additional $620 million in gap-closing actions for legislative consideration. The actions included reductions to existing programs, new revenues, and other resources. The total gap-closing plan proposed by the Governor now totals $9.2 billion, consistent with the updated budget gap projected for 2010-11.

To carry the budget shortfall across the fiscal years, DOB directed the deferral of a planned payment to school districts ($2.1 billion) and certain tax refunds ($500 million). Both the school aid payment and the tax refunds were scheduled to be paid in 2009-10 but, by statute, are not due until June 1, 2010. Due to the foregoing deferral of school aid payment and tax refunds, the total amount of the deferrals exceeded the level of the budget shortfall in 2009-10. This greater deferral had the effect of increasing the closing balance in the General Fund for 2009-10 to $2.3 billion, or $929 million above the level projected in the amended Executive Budget Financial Plan. However, the higher closing balance is due exclusively to the cash management actions described above and does not represent an improvement in the State's financial operations. In early April 2010, the State paid the $500 million in tax refunds that had been deferred from 2009-10 to 2010-11. The school aid deferred from 2009-10 has not yet been paid.

Status of Budget Negotiations

On March 17, 2010, the Legislature enacted the debt service appropriation bill, which includes appropriations for all existing and planned State-supported, contingent-contractual, and other debt obligations for the State's 2010-11 fiscal year, which began on April 1, 2010. The Legislature has not yet enacted the remainder of the annual budget for 2010-11.

In the absence of an adopted State budget for the current fiscal year, interim appropriation bills have been enacted weekly to provide for the payment of certain personal service costs, certain grants to local governments, and other items deemed necessary for legal or contractual reasons. The limited scope of interim appropriation bills is intended to help the State to maintain its cash position.

As in prior years when the State has not adopted a budget by April 1, DOB expects that the Governor will continue to submit, and the Legislature will continue to approve, interim appropriation bills to permit governmental operations to continue until a complete annual budget for 2010-11 is adopted. However, there can be no assurance that the Legislature will continue to approve interim appropriations. DOB expects that the Governor will propose budgetary measures to achieve annual savings in 2010-11 in future interim appropriation bills and as stand-alone legislative proposals.

Furloughs

The amended Executive Budget Financial Plan included a savings target of $250 million from wage concessions to be negotiated with the unionized State Workforce. On May 10, 2010, the Governor submitted, and the Legislature approved, an interim appropriation bill, for the period of May 17 through May 23, which included a provision requiring furloughs equal to a 20 percent reduction in the work week for certain executive branch employees. However, on May 12, 2010, the U.S District Court for the Northern District of New York issued a temporary restraining order preventing the implementation of the furloughs, pending a final determination.

Cash Position

The State's cash position continues to be a significant concern. The amended Executive Budget Financial Plan, submitted on February 9, 2010, estimated that the General Fund would end June 2010 with a negative cash balance of $777 million. The June 2010 closing balance in All Governmental Funds (the most comprehensive view of the financial operations of the State which includes the General Fund and funds specified for dedicated purposes, as well as Federal funds and capital projects funds) was estimated at $1.2 billion. It was expected that the State would need to manage a very tight cash position throughout the first half of the 2010-11 fiscal year, until the significant savings recommended in the Executive Budget began to provide relief. At the time, however, it was expected that the State's Short-Term Investment Pool ("STIP") would generally have balances on hand to permit the State to meet payments as they came due.

However, the revenue revisions associated with the consensus forecast, the effect of the ongoing budget impasse, and the uncertainties surrounding the timing and content of an annual budget are expected to further weaken the State's cash position and increase the need for more extensive cash management actions. DOB currently estimates that, absent additional cash management actions, the State will not have sufficient cash on hand to make all the local assistance payments that are currently due on or around June 1, 2010, the largest of which is State aid to public schools. DOB anticipates that State payments scheduled for June 1, 2010 could exceed available funds, including STIP, by approximately $1 billion. Furthermore, enactment of a budget for 2010-11 would not be expected to materially improve the cash situation in early June 2010 due to the timetable for implementing any approved gap-closing measures. DOB anticipates that the cash situation will improve temporarily in the later part of the month, based on the expected timing of tax collections. Beyond June, DOB expects the State to continue to experience significant intermittent cash-flow difficulties, especially during the months of September and December 2010. It should be noted, however, that the estimate of daily cash needs for the coming months is subject to considerable variability and may be substantially affected by, among other things, actual receipts collections, the content of interim appropriation bills, and the content of an annual budget agreement.

In response to the cash situation, DOB expects to take one or more of the following cash management actions to maintain adequate operating margins: (1) recommend that payment dates for certain local assistance payments, including school aid, be amended to better match the flow of tax receipts, (2) further limit the scope of interim appropriations to the level supportable by estimates of available funds, or (3) use the budget director's certificate authority to limit payments as needed to ensure the orderly operation of government. DOB anticipates that such actions, if implemented, are likely to be sufficient to permit the State to make substantially all the payments scheduled for June 2010 by the end of the month.

The State continues to reserve money to make debt service payments through August 2010 that are financed with General Fund resources, and portions of debt service payments becoming due during this period have already been deposited with the respective trustees. DOB expects to continue this practice, regardless of the State's cash position. Sufficient cash to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and applicable bond covenants.

The State's ability to issue general obligation tax and revenue anticipation notes is limited by State law and bond covenants contained in the New York Local Government Assistance Corporation ("LGAC") bond resolutions. LGAC eliminated annual general obligation borrowing by the State for cash-flow ("seasonal") purposes, except in cases where the Governor and the legislative leaders (i) certify the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and (ii) provide a schedule for eliminating it over time. Pursuant to the LGAC statute and bond covenants, any general obligation seasonal borrowing is required to be eliminated by the fourth fiscal year after the limit was first exceeded. 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. Apart from the LGAC provisions, general obligation tax and revenue anticipation notes for seasonal purposes may not be issued unless the State has adopted a balanced budget for the fiscal year. A statutory amendment to Section 67-b(3) of the State Finance Law would also be necessary to allow the issuance of short-term cash flow notes, since pursuant to the Debt Reform Act of 2000, State debt may only be issued for capital purposes.

Special Considerations

It is uncertain when an annual budget for the 2010-11 fiscal year will be adopted. DOB estimates that the Executive Budget recommendations, if enacted in their entirety, would leave projected budget gaps in the range of $6 billion in 2011-12, $11 billion in 2012-13, and $13 billion in 2013-14. There can be no assurance that a budget, whenever adopted, will not materially increase the budget gaps that must be addressed in future years.

The savings estimates in the Executive Budget Financial Plan assumed the enactment of a budget by April 1, 2010. As a result of the budget impasse, certain proposals that were expected to begin generating additional revenues or savings in April 2010 have not yet been authorized. DOB estimates that the budget delay has reduced the Financial Plan benefit of these proposals (most of which would increase revenues) by approximately $40 million to $50 million through May 10, 2010. The cost of the budget delay is expected to continue to increase in future weeks, absent approval of gap-closing measures. Accordingly, DOB expects that the Governor will begin to include certain gap-closing measures proposed in the Executive Budget in interim appropriation bills and related legislation in the coming weeks. However, there can be no assurance that such gap-closing measures will be approved by the Legislature or that such measures will achieve savings at the levels projected in the amended Executive Budget Financial Plan. Any savings that are unrecoverable as a result of the budget delay will need to be financed by alternative gap-closing measures agreed to in an adopted budget.

Arbitration Related to Tobacco Master Settlement Agreement ("MSA")

Each year in perpetuity, under the MSA between tobacco manufacturers who are party to the MSA ("PMs") and 46 settling states, plus some territories and the District of Columbia, (collectively the "Settling States") the PMs pay the Settling States a base payment to compensate for financial harm to the Settling States for smoking-related illness. New York's allocable share of the total payment is approximately 12.8% of the total, or approximately $800 million annually. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("NPMs") to deposit in escrow an amount roughly equal to the amount that the PMs pay per pack sold. The PMs have brought a nationwide arbitration against the Settling States (minus Montana) asserting that those States failed to diligently enforce their respective escrow statutes in 2003. Any such claim for the years prior to 2003 were settled in 2003. The PMs are making the same claim for years 2004-2006, but none of those years are yet in arbitration. Two of the panel of three arbitrators have been selected and it is anticipated that the third will be selected and the arbitration will actually begin sometime in the next several weeks.

[End of Supplement]