SUPPLEMENT TO THE THIRD QUARTERLY UPDATE TO THE ANNUAL INFORMATION STATEMENT DATED FEBRUARY 15, 2010

March 2, 2010

Consensus Revenue Forecast

On March 1, 2010, as required by State law, the Executive and Legislature issued a joint report containing a consensus forecast for the economy and estimates of receipts for the current and upcoming fiscal year. The consensus forecast is intended to provide a common agreement on tax receipts as a precursor to legislative deliberations on the Executive Budget proposal. In the consensus forecast report, the parties agreed that:

> "Given the marginally weaker New York economic consensus reached for 2010-11 and the desire of the parties to translate the downside risks . . . into the receipts forecast, consensus SFY 2010-11 receipts are projected to be below the Executive Budget [as amended]. As a result, the parties have agreed to decrease the [tax] receipts estimate by $850 million in total for fiscal years 2009-10 and 2010-11. It was agreed that both the national economy, and to a greater extent, the New York economy, will experience a weak recovery which will translate into slow receipts growth."

DOB projects that the estimated budget gap for 2010-11, before recommended actions, will increase from $8.2 billion to approximately $9 billion as a result of the consensus forecast. The Executive Budget, as amended, identified gap-closing resources of $8.7 billion (including $1.06 billion from an anticipated six-month extension of the higher Federal match rate on eligible State Medicaid expenditures originally authorized in the 2009 Federal stimulus legislation). Therefore, to provide for a balanced budget as required by law, the enacted budget for the 2010-11 fiscal year must include approximately $350 million in additional gap-closing actions above the levels recommended in the Executive Budget.

Cash Position

As described in the Third Quarterly Update to the AIS, the State's cash position continues to be a serious concern, especially during the first half of the 2010-11 fiscal year. The Executive Budget forecast projected month-end negative balances in the General Fund from May through August 2010. The forecast is based on the assumption that the Executive Budget is enacted in its entirety and without modification by the start of the State's new fiscal year on April 1, 2010. There can be no assurance that the Legislature will take final action on the budget by the start of the fiscal year.

The revisions to the receipts forecast described above are expected by DOB to further weaken the State's cash position, especially in the first quarter of 2010-11. At this time, DOB anticipates that approximately $350 million of the downward revision to projected receipts will affect first quarter 2010-11 collections, with the remaining $500 million spread over the remaining nine months of the fiscal year (based on operating results to date, tax receipts in the current year are anticipated by DOB to be at or near the estimates contained in the Executive Budget, as amended).

In addition, the Executive Budget Financial Plan includes $500 million in 2009-10 from two transactions that DOB now believes are not likely to occur until the latter half of 2010-11 ($300 million from a VLT franchise payment and a $200 million transfer from the Battery Park City Authority). Accordingly, the budget shortfall that would need to be carried forward from 2009-10 to 2010-11 would increase to approximately $1.9 billion. DOB believes that, based on current information, it has sufficient cash management options available to manage the shortfall in 2009-10 without the use of the State's $1.2 billion in rainy day reserves. However, a delay in these transactions will further strain the State's cash position and may require extraordinary cash management actions by DOB.

The DOB is evaluating a number of options available to enhance liquidity in the first quarter of 2010-11. The extent of liquidity needs, and the range of options available to the State, is dependent on a number of factors, including the timing of budget enactment, the actions authorized in the budget, the performance of tax receipts, the management of ongoing expenses, and the condition of the State and national economies.

[End]