New York State
Debt Management Policies
State-Supported Debt
As of April 2023

Introduction:

The following provides a summary of the State's Debt Management Policies and applies only to State-supported debt. These policies are subject to change and will be updated based on new developments.

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The New York State Division of Budget (DOB) has issued the following Debt Management Policies governing the issuance of State-supported debt as defined in section 67-a of Article 5-b of the State Finance Law. These Debt Management Policies are subject to change based on current market conditions and other factors, including the management of the State of New York's financial plan.

REPORTING / DISCLOSURE

The State of New York (the "State") is committed to providing investors with complete, accurate, and timely disclosure of financial information and other developments relating to the State. The State currently discloses information through the following:

- **Annual Information Statement (AIS):** The AIS is the State's principal means for disclosing financial and other pertinent information that is required to meet its legal obligations pursuant to Federal securities law requirements, and constitutes the official form of such disclosure to the market. The AIS is filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system, which can be accessed at http://emma.msrb.org/. The State publishes the AIS annually, following the adoption of a complete budget by the State Legislature and the publication of the Enacted Budget Financial Plan. The AIS is updated on a quarterly basis and supplemented, as needed, for material events or developments that occur between quarterly updates.

  The State's AIS and latest updates, if any, are also available online at:
  http://www.budget.ny.gov/investor/ais/ALTaccessAgree2.html

- **Continuing Disclosure/Annual Update:** When the State issues bonds, either directly or through a public authority acting on its behalf, it agrees, consistent with applicable provisions of Securities and Exchange Commission Rule 15c2-12 or other provisions of law, to annually update certain financial information contained in the Official Statement used in connection with the sale of the bonds, and to provide timely notice of certain enumerated events (as defined by the Securities and Exchange Commission), for the benefit of investors in the secondary market. This continuing disclosure typically consists of information directly relevant to the security of the bonds then being offered for sale, as well as the State's annual financial statements and information contained in the AIS.

  The State's most recent continuing disclosure filing is available online at:
  http://www.budget.ny.gov/investor/ais/ais-fdp.html

CREDIT RATINGS

- For each State-supported bond sale, credit ratings will be obtained from one or more credit rating agencies that have been designated as nationally-recognized statistical rating organizations (NRSROs) by the Securities and Exchange Commission.

- Current ratings for State-supported bond credits are available on the Division of the Budget's (DOB's) website at: http://www.budget.ny.gov/investor/creditRatings.html

- For an explanation of the ratings, please refer to the specific information available from each rating agency. The State makes no representation regarding the accuracy of the ratings furnished by the rating agencies.

NEW MONEY BOND SALES

- All new State-supported debt shall comply with all statutory requirements and debt policies, including the Debt Reform Act codified in the State Finance Law. Specifically, the Debt Reform Act requires that:

  - Bonds be issued for capital purposes only; and
  - Bonds must have a maximum final maturity of no longer than 30 years, with limited exception for long-lived MTA projects.

- The Debt Reform Act also includes the following debt limits on all new money State-supported debt issued after April 1, 2000, but excluding State-supported debt issued in Fiscal Year (FY) 2021 and FY 2022.

  - Debt outstanding is limited to 4 percent of State personal income.
  - Debt service is limited to 5 percent of governmental receipts.

- The State's compliance with the Debt Reform Act limit is certified annually by the Director of the Budget.

- A minimum of 50 percent of total new debt issuances annually are expected to be sold on a competitive basis, market conditions permitting. Competitive bond sales allow the State to achieve pricing benefits, provide a benchmark for bonds sold on a negotiated basis and increase transparency related to the bond sale process.

- Tax exempt bonds shall also have a call option not greater than 10.5 years unless otherwise directed by DOB.

- Absent compelling fiscal policy requirements or bond structuring considerations, taxable debt shall not have a final maturity greater than fifteen years from the issue date of the bonds.

REFUNDING CRITERIA

Fixed Rate Bonds

- The DOB will follow refunding criteria based on a review of then current interest rates and State fiscal needs. The following criteria provide general goals for refundings that will be adjusted as needed on a case-by-case basis.

- A current refunding is permitted if the refunding of each maturity achieves positive net present value (NPV) savings.

- For an advance refunding or forward refunding of existing fixed rate bonds (i.e., assuming callable bonds and pricing based on existing market standards with respect to 5 percent premium bond couponing structures), the NPV savings target for each individual bonds maturity is at least the following:

		Years to Call Date:		
		0 to 2	3 to 7	8 to 10
Years from Call Date to Maturity Date:	0 to 5	0.5%	1.0%	2.0%
	6 to 10	1.0%	2.5%	4.0%
	11 to 15	3.0%	4.0%	5.0%
	16 to 20	4.0%	5.0%	5.5%

- In addition to the above maturity-by-maturity NPV savings target, the overall minimum NPV savings goal is the lesser of 2.0 percent of the par amount of refunded bonds or three times the refunding's total costs of issuance, including underwriters' discount and credit enhancement (if applicable).

- The maturity-by-maturity analysis must include a determination of the negative arbitrage incurred in connection with the escrow established for a particular maturity. In general, the negative arbitrage produced by the defeasance of a particular candidate should not exceed the net present value savings generated by that candidate.

- The arbitrage yield of the refunding issue must be utilized in calculating NPV savings.

- The initial evaluation of potential refunding candidates should be based on a maturity-by-maturity analysis using the lower of (a) the applicable refunding bond maturity's yield (or yield to call for premium bonds), or (b) the applicable State and Local Government Securities (SLGS)/open market security yield, if escrowed.

- A subsequent evaluation of candidates producing marginal savings shall be performed with an additional screening process. A complete refunding model is developed which incorporates those bonds that meet the initial maturity-by-maturity criteria set forth above, and individual refunding bond candidates producing marginal savings are then added or subtracted to determine the incremental contribution of each bond within the context of the overall refunding.

  - Individual refunding bond candidates that marginally do not meet the maturity-by-maturity savings criteria through the initial screen analysis shall be evaluated using this additional screening methodology. If such bond maturity then meets the maturity-by-maturity and aggregate NPV savings criteria, then it may be considered for inclusion in the refunding.
  - Individual refunding bond candidates that meet the maturity-by-maturity savings criteria through the initial screen analysis, but produce less than 1 percent NPV savings, shall also be evaluated using the above methodology. If they do not then meet the maturity-by-maturity and aggregate NPV savings criteria, they shall be excluded from the refunding.

- The evaluation of refunding opportunities shall be conducted in a manner which is neutral with respect to the State Bond Issuance Charge (BIC). Therefore, if the BIC applies to a refunding transaction, it shall not be factored in as a cost of issuance with respect to total NPV savings requirement calculations. Consistent with this approach, the BIC should be counted as NPV savings to neutralize its negative impact on annual cash flow savings. Similarly, the individual bond-by-bond maturity evaluations shall also exclude BIC as a factor.

- SLGS are considered the preferred investment if it is possible to meet the arbitrage yield in a refunding escrow. If the SLGS window is not open, U.S. Treasury Securities and other open market securities can be considered, consistent with the investment restrictions in the bond resolution and the bidding requirements of the escrow.

- There should be no dissavings in any year unless there is an overriding policy objective.

- Fixed rate refundings will be structured to provide Financial Plan savings as determined by DOB, including the use of structuring bonds.

- No refundings will be considered for bonds that have been outstanding for less than one year from their original date of issuance.

- Refundings with fixed rate payor swaps (see below regarding capacity) are generally not being considered, but must have individual maturity NPV savings that are at least 2 percent higher than NPV savings for traditional fixed rate bonds for the Securities Industry and Financial Markets Association (SIFMA) index-based swaps, and 5 percent higher for 65 percent of taxable index based swaps.

- Refundings with convertible or put bonds must have individual maturity NPV savings that are at least 3 percent higher than NPV savings for traditional fixed rate bonds noted above.

- Transactions which are based on expectations for future interest rate environments (e.g., rate locks, forward delivery bonds, forward warrants, swaptions, or similar transactions) will only be considered for bonds non-advance refundable on tax-exempt basis that are callable within two years.

INTEREST RATE EXCHANGE AGREEMENTS ("SWAPS")

- The State's swap statute, including overall limits, legal requirements, and current policy usage is detailed online at:
http://www.budget.ny.gov/investor/bond/invGuide-swaps.html

- The State has no swaps outstanding and is not currently considering the use of new swaps.

VARIABLE RATE INSTRUMENTS

- The State's variable rate debt instrument statute, including overall limits, legal requirements, and current policy usage is detailed online at:
http://www.budget.ny.gov/investor/bond/invGuide-VR.html

- VRDBs and other variable rate products should only be used where credit and/or liquidity support, if necessary, is available with minimum long term ratings in at least the A category and support costs are deemed reasonable.

- The State is not currently considering the use of new convertible bonds or "put bonds" but may choose to do so in the future based on market considerations.

- For purposes of evaluating transactions involving the use of variable rate debt, the State's analysis will take into account an "all-in" long-term average cost of funds, risks associated with the variable rate product, and other factors.

PROFESSIONAL ENGAGEMENTS

- The State evaluates the performance of providers of professional services (i.e., underwriters, bond counsel, underwriter's counsel, financial advisor, etc.) paid in conjunction with State-supported bond transactions.

- Compensation for all professional fees related to bond issuances should be finalized no later than two weeks prior to the date of each bond pricing. If professional fees were arrived at pursuant to a competitive or request for proposals-type process, absent compelling circumstances and justification, no increases will be entertained after such bid is accepted.

- The payment of professional fees is subject to the successful execution of a bond issuance or similarly-related transaction.

- The State will not pay underwriter management fees on any State-supported debt transactions.

As shown below, the State's standard takedown schedule will be used for all deals.

Standard Takedown Scale

Maturity (Year)	Takedown (per bond)
1	Sealed Bid or $1.25
2-3	$2.50
4-9	$3.75
10+	$4.50

BOND SALE PROCESS AND DELIVERABLES

- DOB uses experience and performance criteria for the selection of underwriters for the financing of State-supported bond credits. Prior to the selection of new underwriting engagements, public authorities shall discuss their recommended financing teams and proposed risk and reward structures with DOB.

- At least six weeks prior to the pricing of each negotiated bond transaction, except where market conditions, particularly regarding potential refundings dictate a more accelerated schedule, the lead underwriter shall coordinate a "kick off" call with participation of all parties constituting the working group of the transaction.

- The lead underwriter shall develop a detailed financing schedule clearly indicating all significant milestones and working group requirements, including but not limited to periodic working group meetings, preliminary/final official statement posting dates, a due diligence call, weekly market update calls, and pricing schedules. This financing schedule shall be updated, as necessary.

- At least one day before a bond pricing, the lead underwriter shall submit to DOB, the issuer, and the financial advisor price views from syndicate members, including recent final pricing results from comparable transactions.

- The day before each bond pricing, the lead underwriter shall submit to DOB, the issuer, and the financial advisor a draft pricing wire. The final pricing wire shall be provided on the day of the pricing.

- Real-time order status shall be available via electronic platforms. Throughout the course of negotiated transactions, the lead underwriter will provide detailed information on the status of investor order flow, including the number of orders and dollar volumes.

- As necessary, market updates, including changes to MMD and applicable spreads for State-supported bonds, shall be provided by the lead underwriter.

- Participants in State-supported bond sales shall use the DOB's approved standardized closing documents, including:

  - 15c2-12 Certificate.
  - 10b5 Certificate.
  - Financing Agreement or Service Contract.
  - Continuing Disclosure Agreement.
  - Bond Purchase Agreement.
  - Swaps and/or Variable Rate Certificate (if applicable).

- Recommendations for new closing documents or amendments to existing ones will be only considered for compelling legal or policy reasons. Such new or amended closing documents must:

  - Be available for evaluation at least two business days before the date of the preliminary official statement.
  - Be accompanied by a written justification for the new or amended closing documents.

- Bond closings shall be completed as soon as practicable following the pricing of bond sales. Closings are expected to be completed within one week of pricing.

- Compliance with these policies, as amended, shall be evidenced by DOB's existing standard bond closing approvals, and shall not require additional written certification.

MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES

- Article 15-A of Executive Law increased the utilization of minority and women-owned business enterprise underwriters for State debt offerings.