STATE OF NEW YORK

8769--A

2025-2026 Regular Sessions

IN ASSEMBLY

June 2, 2025

Introduced by M. of A. TAPIA -- read once and referred to the Committee on Economic Development -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the economic development law, in relation to enacting "the New York state credit risk transparency and investor protection act"

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. This act shall be known and may be cited as the "New York state credit risk transparency and investor protection act".

§ 2. The economic development law is amended by adding a new section 103-a to read as follows:

§ 103-a. State bond security. 1. For the purposes of this section, the following terms shall have the following meanings:

(a) "credit risk decay" shall mean the natural reduction in the likelihood of bond default over time, resulting from the bond's amortization, improved issuer performance, or external economic factors that reduce default risk;

(b) "material credit event" shall mean any event that significantly impacts the issuer's ability to meet its obligations, including but not limited to:

(i) changes in federal funding, including but not limited to Medicaid cuts or infrastructure funding reductions;

(ii) tariffs, trade policy changes, or other external economic factors that may alter the bond issuer's financial position; or

(iii) any significant modification of legal obligations that affects a bond's performance;

(c) "risk reconciliation statement" shall mean a quarterly report filed by an issuer of bonds, which provides an update on the bond's credit risk, including but not limited to:

(i) changes in credit ratings;

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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(ii) material credit events affecting bond performance; and

(iii) yield-to-maturity drift and other relevant credit performance metrics;

(d) "yield-to-maturity drift" or "YTM drift" shall mean the change in the yield of a bond over time due to shifts in the credit quality of the issuer, and the collateral or external credit factors, that impact such bond's risk profile and valuation;

(e) "fixed point scale" shall mean a standardized method used to assess the bond's current performance by comparing its original credit risk rating to the bond's current risk profile, including, but not limited to, yield-to-maturity drift and credit rating shifts;

(f) "investor right of action for value destruction" shall mean the legal right of an investor to seek damages if the bond issuer fails to disclose material credit events or if a bond's credit risk deteriorates without proper disclosure, resulting in financial harm to the investor; and

(g) "material deviation" shall mean a significant change in a bond's creditworthiness that differs from the issuer's original projections or credit ratings, including, but not limited to, a drop in credit rating or significant change in market price or arm's-length valuation due to a material credit event.

(h) "intentional action" shall mean any deliberate act or policy decision by any public, private, or governmental entity that is reasonably foreseeable to materially and disproportionately impair the creditworthiness, repayment, or market value of state-backed bonds.

(i) "arbitrary action" shall mean any action or policy decision lacking a rational or reasonable basis that results in the material and disproportionate devaluation of state-backed bonds, including actions taken without due consideration of predictable fiscal impacts on the state's debt obligations.

2. It shall be unlawful for any broker, dealer, or municipal securities dealer to issue state or municipal bonds unless such broker or dealer is in compliance with the requirements of this section.

3. All issuers of state and municipal state-backed bonds within the state shall file a quarterly risk reconciliation statement with the department in accordance with a filing schedule to be promulgated by the department. Such statements shall include, but not be limited to, the following:

(a) the name and address of the issuing authority;

(b) the name and purpose of the project or projects the fund is to be used for;

(c) the offering price, interest rate, selling compensation, aggregate principal amount, principal amount per maturity, and delivery dates of each bond;

(d) up-to-date credit risk projections and bond ratings where applicable;

(e) yield-to-maturity drift and its implications on bond valuation;

(f) any material credit events which have occurred or have impacted the issuer's credit risk during the relevant quarter; and

(g) any other disclosures required by state or federal law.

4. Notwithstanding any laws to the contrary, the department of economic development shall create a searchable database, or modify an existing one, displaying the quarterly risk reconciliation statements of each state-backed bond issuer within the state.

5. Where an issuer, dealer, or broker of state or municipal state-backed bonds fails to disclose a material credit event or to update such

issuer, dealer, or broker's risk assessments on its quarterly risk reconciliation statement, as required by this section, an investor or bond-holder injured by such violation of this section may bring suit in such investor or bond-holder's own name. Judgment may be entered in the amount of actual damages reflecting the difference between the actual amount paid for the bond and the fair market value of such bond, for rescission of the bond purchase, upon which the issuer shall refund the investor's original investment, or both such actions.

6. (a) The department shall have the authority to enforce the requirements of this section. The department shall, from time to time, conduct audits of risk reconciliation statements filed by issuers.

(b) If an issuer is found to be in repeated violation of this section, the department may, in its discretion, refer such issuer for investigation by the state attorney general for the purposes of determining compensation of damages to all investors.

7. (a) The attorney general may initiate investigations and proceedings against any entity, public, private, or governmental, which causes, by its actions, material devaluation of state-backed bonds which disproportionally harm state-backed debt obligations. The attorney general may consider, but is not limited to, the following factors:

(i) the foreseeability of the impact on the state's bonded debt;

(ii) whether reasonable alternatives were available;

(iii) the proportionality of the impact relative to the stated purpose of the action; and

(iv) the degree of transparency or concealment surrounding the action.

(b) Upon a finding that a public or governmental entity has engaged in an intentional action or arbitrary action that materially devalues state-backed bonds, the attorney general may:

(i) initiate legal proceedings to enjoin such actions;

(ii) pursue claims for compensatory or equitable relief on behalf of the state or its bondholders; and

(iii) recover damages to offset increased borrowing costs or other financial harm incurred by the state as a result of the material devaluation.

(c) The attorney general shall have standing to bring claims in any court of competent jurisdiction, whether the responsible party is within or outside the state, to protect New York's credit reputation and the value of its public debt obligations.

(d) Nothing in this section shall be construed to limit any other cause of action or remedy available to the state under law.

§ 3. Severability clause. If any clause, sentence, paragraph, subdivision, section or part of this act shall be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph, subdivision, section or part thereof directly involved in the controversy in which such judgment shall have been rendered. It is hereby declared to be the intent of the legislature that this act would have been enacted even if such invalid provisions had not been included herein.

§ 4. This act shall take effect on the one hundred eightieth day after it shall have become a law. Effective immediately, the addition, amendment and/or repeal of any rule or regulation necessary for the implementation of this act on its effective date are authorized to be made and completed on or before such effective date.