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**ATTORNEYS FOR THE  
PETITIONERS**

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**MATTHEW J. BROUILLETTE, et al.**

Petitioners

v

**THOMAS WOLF, GOVERNOR, et al.**

Respondents

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: COMMONWEALTH COURT  
: OF PENNSYLVANIA  
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: PETITION FOR REVIEW  
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: CASE NUMBER 410 MD 2017  
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**PRAECIPE TO ATTACH EXHIBIT**

Petitioners, Matthew J. Brouillette, Representative James Christiana, and Benjamin Lewis (collectively “Petitioners”), by and through their attorneys, McNelly & Goldstein, LLC, hereby submit this Praecipec to Attach Exhibit to their Answer / Response in Opposition to the Motion to Dismiss filed by Respondents, State Treasurer Joseph Torsella (“Torsella”), and Auditor General Eugene DePasquale (“DePasquale”) (collectively “Respondents”),

Respectfully submitted,



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*Attorneys for Petitioners*

Date: December 11, 2017

# Standard & Poor's Credit Research

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## Pennsylvania GO Rating Lowered To 'A+' On Chronic Structural Imbalance, Weakening Liquidity, And Budget Stalemate

**Primary Credit Analyst:**

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CHICAGO (S&P Global Ratings) Sept. 20, 2017--S&P Global Ratings lowered its general obligation (GO) rating on the Commonwealth of Pennsylvania to 'A+' from 'AA-'. We also lowered our ratings on the commonwealth's appropriation debt to 'A' from 'A+'. Additionally, we lowered our departmental appropriation rating on the commonwealth to 'A-' from 'A' and our departmental and moral obligation rating to 'BBB+' from 'A-'. The outlook is stable.

"The downgrade largely reflects the commonwealth's chronic structural imbalance dating back nearly a decade, a history of late budget adoption, and our opinion that this pattern could continue," said S&P Global Ratings credit analyst Carol Spain. It also reflects the weakening of Pennsylvania's liquidity position, notably the delay or non-payment of scheduled expenditures for the first time in the commonwealth's history.

"Measured on an annual basis," added Ms. Spain, "the commonwealth's structural deficit remains manageable, but its reliance on one-time revenues has stressed its available cash, making internal resources insufficient to timely meet certain obligations." Additionally, stalemated budget negotiations have reached a point that their consequences extend beyond policy considerations to credit quality. The state treasurer and auditor general cited the lack of near-term prospects of a balanced budget in their decision to refuse additional lending to the general fund.

On Sept. 15, 2017, Pennsylvania missed \$1.167 billion in reimbursement payments for medical care under Medicaid, and on Sept. 18, it missed a \$581 million payment due to school districts to cover the state's share of pension obligations.

"We understand that the commonwealth plans to make payments to both the Medicaid insurers and school districts within a week of the scheduled due dates; however, in the absence of additional liquidity, and with the likely need for external borrowing, these late payments could recur," Ms. Spain said. The commonwealth has made all scheduled debt service payments to date, including those due on Sept. 15.

Without a plan in place to close the \$2.3 billion budget gap for fiscal 2018, the state treasurer and auditor general announced in a letter that they would not provide another loan to cover the commonwealth's general fund deficit through the short-term investment program. They called lending to the commonwealth under current circumstances an economic "moral hazard" that would increase long-term risk to the commonwealth's finances, and stated that they would not lend to the general fund without a balanced budget.

Despite the current lack of access to the short-term investment program, we do not anticipate that the commonwealth will continue to accumulate significant unpaid bills. In our view, the commonwealth still retains very strong access to external markets, and we anticipate that it will tap these to address the general fund deficit, and regain access to internal liquidity resources. While there is a lack of consensus among the branches of the general assembly and the administration on how to balance the fiscal 2018 budget, all plans eliminate the negative \$1.54 billion negative general fund balance (4.8% of the budget), which would significantly reduce the commonwealth's cash flow pressures. Currently, legislators are considering \$1.25 billion of certificates of participation secured by tobacco settlement payments and general fund appropriations to help close this gap. We understand that assuming legislative authority is in place, the commonwealth would access the market prior to November, when its general fund cash position reaches one of its lowest points. The administration has represented to us that if it executes this plan, the commonwealth would have sufficient liquidity to make timely payments for the remainder of the fiscal year.

The governor released a statement on Sept. 18 that legislators will agree to and vote on a compromise prior to Oct. 1. If this occurs, we expect that the commonwealth would be able to access the market prior to November and that the state treasurer will resume lending to the general fund.

In our view, despite the one-time nature of the negative beginning balance, borrowing to offset this balance would constitute deficit borrowing. Factors contributing to the negative balance were due to misalignment of ongoing revenues and expenditures (missed revenue estimates of \$1.1 billion and cost overruns of \$400 million), not one-time factors.

"Deficit borrowing does not exemplify strong budget management practices, but, in our view, borrowing that restores the commonwealth's liquidity to a position in which it can make timely payments would be preferable from a credit perspective than an accumulation of unpaid bills," added Ms. Spain.

In the third month of the fiscal year, Pennsylvania still lacks a balanced budget, and in our view, deliberations could extend considerably further. The commonwealth's general appropriations act became law on July 11, 2017, but it was out of balance by \$2.3 billion, or about 7% of expenditures. Per Pennsylvania's constitutional balanced budget requirement, expenditures cannot exceed available revenues, but despite this requirement, the bill became law with the governor and lawmakers anticipating that a balancing revenue package would shortly follow as it did in fiscal 2017. Despite the pressure of the Sept. 15 deadline of when the commonwealth's general fund cash position would fall to a negative position, lawmakers did not reach consensus and pass a package in time. We view it as possible that lawmakers could fail to reach a compromise by Oct. 1 despite ongoing cash flow pressures.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://www.spcapitaliq.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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S&P downgrades Pennsylvania credit to A-plus, cites budget problems

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#U.S. SEPTEMBER 20, 2017 / 1:23 PM / 3 MONTHS AGO

# S&P downgrades Pennsylvania credit to A-plus, cites budget problems

NEW YORK (Reuters) - S&P Global Ratings downgraded Pennsylvania's general obligation debt one notch to A-plus on Wednesday as state officials struggle to close a \$2.3 billion budget gap, the credit rating agency said.

Pennsylvania lawmakers are battling on how to balance its \$32 billion spending plan nearly three months into the 2018 fiscal year, forcing Governor Tom Wolf to delay scheduled bill payments.

“The downgrade largely reflects the commonwealth’s chronic structural imbalance dating back nearly a decade, a history of late budget adoption and our opinion that this pattern could continue,” S&P analyst Carol Spain said in a statement.

The downgrade, which puts Pennsylvania debt four notches below S&P’s AAA gold standard rating also reflects the state’s weakening liquidity position, S&P said. The outlook is stable.

The commonwealth has relied too heavily on one-time revenue sources, limiting its available cash and leading to late or canceled payments, S&P said.

Over the past week, Pennsylvania missed about \$1.7 billion in medical reimbursement payments and another \$581 million in pension-related bills, S&P noted.

Wolf, who allowed the imbalanced budget to pass without a signature, vowed on Monday that legislatures would agree on a spending plan before Oct. 1.



Reporting by Laila Kearney, Editing by Daniel Bases and Marguerita Choy

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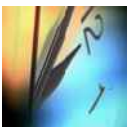
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# Explosion rocks New York commuter hub, suspect in custody

Nick Zieminski, Daniel Trotta

6 MIN READ



NEW YORK (Reuters) - A Bangladeshi man with a homemade bomb strapped to his body set off an explosion at a New York commuter hub during rush hour on Monday, wounding himself and three others in what New York Mayor Bill de Blasio called an attempted terrorist attack.





Akayed Ullah, 27, the New York Police Department commissioner said. The suspect had burns and lacerations while three other people, including a police officer, sustained minor injuries.

Ullah is from the Bangladeshi city of Chittagong and is a U.S. resident, said the country's police chief. He had no criminal record there and last visited Bangladesh on Sept. 8, the chief said.

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Ullah had a black cab/limousine driver's license from 2012 to 2015, after which it expired, the New York Taxi and Limousine Commission said.

The White House said the attack underscored the need for U.S. immigration reforms.

Cuomo told CNN the explosive in the pipe ignited, but the pipe itself did not explode. “So he wound up hurting himself; several others in the vicinity.” He said the attacker apparently used the internet to obtain information on how to make a bomb.

At the news conference, De Blasio said the incident, which happened at the start of rush hour, was “an attempted terrorist attack.”

“As New Yorkers our lives revolve around the subways. When we hear of an attack in the subways, it is incredibly unsettling,” de Blasio said.

ADVERTISING

New York City was a target, said John Miller, deputy police commissioner of intelligence and counterterrorism.

Miller cited the attacks of Sept. 11, 2001, that killed more than 2,750 people in New York and nearly 3,000 people total; and the World Trade Center bombing of February 26, 1993, which killed six people.

Fox News reported that the attacker made the device at his job at an electrical company and there were no known co-conspirators.

A pro-Islamic State media group, Maqdisi Media, portrayed the attempted terror attack as a response to U.S. President Donald Trump's recognition on Wednesday of Jerusalem as Israel's capital, according to the SITE Intelligence Group. SITE tracks and analyzes online activity by extremist groups.

The incident occurred less than two months after an Uzbek immigrant killed eight people by speeding a rental truck down a New York City bike path, in an attack for which Islamic State claimed responsibility.

Accused Ullah, a Bangladeshi man who attempted to detonate a homemade bomb strapped to his body at a New York commuter hub during morning rush hour is seen in this handout photo received December 11, 2017. New York City Taxi and Limousine Commission/Handout via REUTERS

In September 2016, a man injured 31 people when he set off a homemade bomb in New York's Chelsea neighborhood.

lying facedown, with tattered clothes and burns on his torso.

”There was a stampede up the stairs to get out,“ said one commuter, Diego Fernandez. ”Everybody was scared and running and shouting.”

The bus terminal was temporarily shut down and a large swath of midtown Manhattan was closed to traffic. Subway train service returned to normal after earlier disruptions.

WABC reported that the suspect has been in the United States for seven years and has an address in New York’s Brooklyn borough. Police shut down a block in the borough’s Windsor Terrace section, and there was a heavy police presence outside a home.

First reports of the incident began soon after 7 a.m. (1200 GMT). New York in December sees a surge of visitors who come to see elaborate store displays, the Rockefeller Center Christmas tree and Broadway shows.

Alicja Wlodkowski, a Pennsylvania resident in New York for the day, was sitting in a restaurant in the bus terminal.

stop and help her because the panic was so scary.”

At the White House, spokeswoman Sarah Sanders told reporters, “This attack underscores the need for Congress to work with the president on immigration reforms that enhance our national security and public safety.”

“... We must ensure that individuals entering our country are not coming to do harm to our people,” she said during a regular news briefing. “And we must move to a merit-based system of immigration.”

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[Factbox: Attacks against New York City in recent years](#)

[New York suspect had no criminal record in Bangladesh: police](#)

More than 200,000 people use the Times Square station, the city’s busiest, each weekday, according to the Metropolitan Transportation Authority. Ten train lines use the station.

The bus terminal is the busiest in the United States, according to the Port Authority. On a typical weekday, about 220,000 passengers arrive or depart on more than 7,000 buses.



Buskers and other entertainers at entrances to the tunnel often draw crowds.

The incident rippled through American financial markets, briefly weakening stock markets as they were starting trading for the week and giving a modest lift to safe-haven assets such as U.S. Treasuries.

Technology and energy stocks gained in early afternoon trading on Monday, helping Wall Street shake off uncertainties following an explosion.

Reporting By Nick Zieminski, Dan Trotta, Jonathan Oatis and Simon Webb in New York; additional reporting by Bernie Woodall, Lisa Lambert, Gina Chereilus, Serajul Quadi, Joseph Ax, Makini Brice and Fred Katayama; Editing by Chizu Nomiyama

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