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Authorities Budget Office Issues 2012 Annual Report

The Authorities Budget Office today issued its annual report on the financial operations and practices of New York's 553 state and local authorities. The report's major observations and findings include:

- State authorities ended 2011 with \$142 billion in outstanding debt, of which 36.7 percent was issued on behalf of state government. In 2011 alone, state authorities issued \$14 billion in new debt. Concurrently, local authorities issued \$25 billion in debt last year, and ended 2011 with \$91 billion in outstanding debt. Together, state and local authority spending exceeded \$53 billion.
- In the past two years, all IDA projects were exempt from paying a total of \$135 million in local property taxes, \$377 million in taxes otherwise payable to school districts, more than \$100 million in state sales taxes, and another \$91 million in local sales taxes. As discussed in this report, most of these exemptions were borne by taxpayers and taxing jurisdictions outside the IDA's sponsoring municipality.
- In 2011, local development corporations (LDCs) awarded \$182 million in grants, and had \$114 million in outstanding loans, initially capitalized with public funds. Only 17 percent of the value of these grants and loans were programmed for the purpose of creating new jobs.
- LDCs issued \$1.2 billion in new debt in 2011 that was not subject to the Bond Issuance Charge imposed on other authorities, including IDAs, by Section 2976 of Public Authorities Law. Had this charge been applied to LDC bond issuances, New York State would have realized at least \$2 million in 2011 and possibly as much as \$9 million. Over the last two years, the state could have realized at least \$3.5 million and as much as \$17 million in new revenue, depending on how those bond issuances were structured.
- For the 2011 reporting period, 26 state authorities reported operating deficits – their revenue streams were insufficient to cover the cost of operations. Twenty-three state authorities reported operating deficits in both 2010 and 2011.
- The salaries and compensation paid to state employees and employees of local authorities and LDCs are, on average, higher than those of New York State employees and IDA staff.

All categories of local authorities have a greater percentage of staff earning more than \$100,000 in salary than does the average state authority. Almost 1,100 public authority employees had salaries that exceeded that of the Governor.

- 146 authorities failed to file statutorily required 2011 annual reports with the ABO and are now considered delinquent and out of compliance with state law. These authorities are subject to ABO enforcement action. More than half of these authorities are local development agencies (87). The remainder is comprised of 5 state authorities, 41 local authorities, and 13 industrial development agencies.

The ABO report calls on the Governor and the Legislature to begin a comprehensive discussion on the future of the state's network of public authorities and whether local governments and state taxpayers can continue to support its size and cost. The report recommends:

- An emphasis on identifying opportunities to consolidate, reform or re-purpose authorities at both the state and local level. The ABO was pleased that the Legislature took the first step by passing legislation, originally proposed by the ABO, to dissolve 123 defunct and inactive authorities that existed in law.
- Consideration for a new form of local authority that can eliminate the need for both IDAs and LDCs and adoption of a statutory framework to facilitate the consolidation or elimination of multiple local economic development agencies.
- Establishment of uniform project approval and financial assistance criteria to minimize competition among local economic development agencies and to prevent "comparison shopping" by businesses looking to maximize financial assistance packages.
- Changes to State finance Law to subject LDC bond issuances to the same charges as imposed on other public authorities.
- Limits on the types of projects that can qualify for financial assistance.
- Shorter payment in lieu of taxes (PILOT) periods that will allow municipalities to assess the financial impact of projects on the community and the progress of applicants in meeting job creation targets. These PILOTs could be extended if the project is fulfilling its obligations under the agreement.
- Additional enforcement tools to improve the accuracy and timeliness of the data being reported by authorities and to encourage more effective oversight by boards of directors.

The complete ABO Annual Report, and a list of all delinquent authorities, is available at: www.abo.ny.gov

The Authorities Budget Office (ABO) was created as an independent office pursuant to Chapter 506 of the Laws of 2009 ("The 2009 Public Authorities Reform Act"). The mission of Authorities Budget Office is to make public authorities more accountable and transparent, and to act in the public interest consistent with their intended purpose. The ABO is also proud that this year it received national recognition as a model agency for states to improve financial oversight of public benefit corporations.