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The Authorities Budget Office Issues Its 2014 Annual Report

The Authorities Budget Office has released its annual report on the finances and activities of New York's 568 state and local authorities. Some of the significant findings and observations presented by the ABO include:

- The operating expenses of state authorities for 2013 totaled \$30.3 billion, an increase of 17.6 percent from 2009. State authority operating expenses increased approximately \$1.5 billion over 2012. This while adjusted staffing levels at state authorities declined by more than 2,800 staff in the last 5 years.
- There are 3,188 board member positions at these 568 public authorities, 3,110 of which are currently filled. State and local government officers hold more than 1,000 of these seats. Despite the expectation that public authorities and directors act independently, one-third of all directors are public officials. Directors face the difficult and potentially conflicting obligation to balance the responsibilities of their public positions with their fiduciary duty as a member of a public authority's board of directors.
- State authorities ended 2013 with \$151.9 billion in outstanding debt, a 6.4 percent increase since 2009. Debt issued by state authorities to support their own activities and public purposes accounted for 39.6 percent of this total. At the same time, the percentage of outstanding debt issued by state authorities at the direction of state government for purposes unrelated to the mission of these authorities comprised 33.8 percent of all debt. Conduit debt, issued on behalf of third parties, represented 26.6 percent of all outstanding state authority debt.
- Outstanding IDA debt, as reported, declined from \$21.2 billion in 2010 to \$12.9 billion in 2013. This may be attributable to the fact that since 2008 IDAs have been prohibited from issuing debt for civic facilities. At the same time, there has been a dramatic increase in debt outstanding reported by not-for-profit local authorities. These local authorities closed 2013 with \$13.2 billion in debt – a 44.8 percent increase since 2010.

- Employee bonus programs were reported to be in effect at 22 public authorities in 2013. These programs awarded bonuses to more than 2,100 staff. Bonuses in excess of \$10,000 were paid to 65 staff, primarily at medical centers and regional transportation centers.
- The effectiveness of IDAs can be difficult to quantify. There appears to be no correlation between an IDA's operating expenses for 2013 and its number of active projects. For example, 16 IDAs currently have 75 or more active projects. Yet, only four are among those with the highest operating expenses.
- LDCs rarely are a major factor in large economic development/job creation projects. For example, of the 195 LDCs that reported operating expenses in 2013, only 25 awarded grants. These grants averaged nearly \$395,000, yet produced less than one job per grant. Similarly, 43 LDCs made loans that were outstanding in 2013. The average LDC loan created fewer than five jobs, but was valued at more than \$213,300. Forty-eight percent of LDCs reported that they provided no direct financial assistance to economic development projects.
- The ABO looked at IDA projects that were first approved in 2009 and remained active in 2013. These 186 projects have received \$126 million in financial assistance based and created 4,500 new jobs. More importantly, 25 IDAs reported that those projects, taken together, created more jobs than originally promised. The projects at 27 IDAs generated fewer jobs than anticipated, and 10 IDAs saw an actual decrease in existing jobs at those assisted projects.
- The report cites 151 authorities as non-compliant with the public accountability, transparency and disclosure requirements of state law. These authorities are subject to additional enforcement action should they remain delinquent filing financial and operating information with the ABO. In 2013, the ABO officially censured the boards of directors of thirteen authorities for chronic failure to meet their corporate governance responsibilities.

The complete ABO Annual Report, and a list of all delinquent authorities, is available at: <http://www.abo.ny.gov/reports/annualreports/ABO2014AnnualReport.pdf>

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.