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### **The Authorities Budget Office Issues Its 2021 Annual Report**

The Authorities Budget Office (ABO) has released its annual report on the finances and activities of New York's 589 state and local authorities.

ABO Director Jeff Pearlman states, "This full Pandemic fiscal year -- government, including the ABO, stepped up. The state's public authorities were used out of the need for immediate capital to address specific local economic needs. This annual report reflects on the public authority activities of 2020. It shows us that during a pandemic, public authority hospital expenditures rose while their revenues plummeted; sewer and water authorities were impacted because of the demographic changes of people working from home; and, state and local economic development agencies took on additional legal tasks to support their regions during the COVID-19 response."

"The ABO was able during the pandemic to continue training board members about their public board roles and their fiduciary responsibilities. Between July 2020 and 2021, the ABO held a record number of trainings, which enabled 506 board members and staff to fulfill the requirements outlined in Public Authorities Law."

"Debt growth at the local level remains a concern. The ABO also is devoting increased attention to the proliferation of not-for-profit local development corporations that are created to issue tax exempt debt and undertake public projects", Pearlman added. "We need to ensure these entities are held to the highest standards of accountability and transparency in order to understand how they are carrying out a bona fide public benefit."

Some of the significant findings and observations presented by the ABO Report include:

- In response to the COVID-19 pandemic, Governor Cuomo issued Executive Order 202 and many subsequent executive orders, which declared a State disaster emergency and allowed for public authorities to make emergency purchases, hold remote conference call board meetings, permit staff to telecommute, and extended the statutorily required public authority reporting deadlines

over a 16 month span. As a result of the executive orders extending the reporting deadlines, public authority reporting was still limited in 2021.

- A significant change to the way IDAs conduct business was amended in law during the Pandemic. IDAs were empowered for the first time to temporarily be able to issue grants and loan to businesses not normally served by an IDA. We report on the results provided to us. Surprisingly, the low number of participants in this demonstration may indicate that the majority of IDAs are not interested in providing grants or loans.
- Perennial issues remained constant even in this tumultuous pandemic year. Local authorities remain where there is growth, both in numbers and in moral obligation debt. Since 2009, LDC debt has grown 258.8% while IDA debt has been on the decline, primarily due to the expiration of IDA's statutory authority to provide financial assistance to civic facilities projects. Third-party conduit debt growth and the IDA tax exemptions that usually coincide with these local economic development projects are farthest from the reach of any regulators and where the most risk occurs. It's also where the ABO spends a significant amount of time and effort both in training and in enforcement.
- Once again, the incorrect or incomplete financial data reported by public authorities remains a major issue and was exacerbated by the pandemic. It is incumbent upon each authority to follow the statute, to track their projects and to report the information accurately. The ABO performed an analysis of bonded debt data reported by local authorities and found questionable and incorrect reporting when comparing the data against what the authority posted. Errors and inaccuracies affect the analysis and understanding of how authorities truly function. It is imperative that the board review the reports and question the figures to ensure the information is accurate before certifying the data. Without accurate data the public is unable to have useful information to assess an authority's performance.

"I urge the Governor and the Legislature to review these activities to find ways to improve the transparency and accountability in how this local system provides debt for economic development," concluded Pearlman.

The complete ABO Annual Report is available at:

<https://abo.ny.gov/reports/annualreports/ABO2021AnnualReport.pdf>

The Authorities Budget Office (ABO) was created as an independent office pursuant to Chapter 506 of the Laws of 2009 ("The Public Authorities Reform Act"). The mission of the Authorities Budget Office is to make public authorities more accountable and transparent, and to act in the public interest consistent with their intended purpose.

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