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### **The Authorities Budget Office Issues Report on Conduit Debt Issued by LDCs**

The Authorities Budget Office (ABO) released its report on how the proceeds of conduit debt issued by local development corporations (LDCs) is being used. The ABO uses "LDC" as a generic term to identify not-for-profit corporations affiliated with, sponsored by, or created by a county, city, town or village government or affiliated with a local authority. Since 2009 the number of LDCs has increased 70 percent. The growth has generally been attributed to the loss of Industrial Development Agencies (IDAs) ability to provide financial assistance to projects for not-for-profits, known as civic facility projects. Since 2011, the amount of LDC conduit debt has increased 396 percent, from \$2.5 billion to \$12.4 billion while the amount of IDA conduit debt declined 59 percent. During 2017, there were a total of 93 conduit debt issuances by 27 LDCs totaling \$2.2 billion.

The review found that the majority of the conduit debt issued by LDCs is not being used to finance new projects and create jobs, but instead is primarily being used to refund debt that had previously been issued. Of the \$2.2 billion of conduit debt issued, over \$1.2 billion was to refund bonds previously issued by IDAs, LDCs and other government entities, or to retire other debt from non-governmental entities. The remaining conduit debt was issued for new construction, expansion or renovation of existing facilities. These facilities consisted primarily of medical and education facilities.

"This report confirms the shift in the use of LDCs is due to the expiration of IDAs' ability to issue debt for civic facilities," stated ABO Director Jeffrey Pearlman. "However, the new debt being issued is not being used to promote job creation in accordance with the general mission of LDCs, but rather the majority of the new debt is only providing cost savings to not-for-profit borrowers."

The review also found although the majority of the LDCs reviewed have a mission to create jobs, only half of the debt issued for new projects was intended to result in job creation. Further, the report identified an LDC with a mission of reducing unemployment and promoting job creation issued conduit debt for an entity to pay its pension obligations.

Consistent with prior ABO reviews, the report found that improvements are needed in the transparency and accountability of these public authorities. Only 12 of the 93 issuances were posted on LDC websites in accordance with Public Authorities Law and ABO Policy Guidance, and some of the information reported by LDCs to the ABO is inaccurate or incorrect.

The report recommends that the State Legislature revisit IDA civic facility bonding authority and consider restoring this authority to IDAs. The report also recommends the Legislature review the current IDA statute to determine if it is appropriate for the current economy. In addition, the report makes recommendations to improve transparency and reporting by LDCs regarding debt issued.

A copy of the full report is available at [www.abo.ny.gov](http://www.abo.ny.gov).