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### **The Authorities Budget Office Issues Its 2016 Annual Report**

The Authorities Budget Office has released its annual report on the finances and activities of New York's 577 state and local authorities. Some of the significant findings and observations presented by the ABO include:

- Overall, the operating expenses reported by public authorities for 2015 are increasing. Local authorities and local development corporations on average reported operating expense increases of over 10 percent from 2011, while state authorities on average reported operating expense increases of just over 9 percent from 2011. Industrial development agencies (IDAs) on average reported operating expense decreases from 2011.
- Total outstanding debt issued by all authorities totaled \$263.3 billion for 2015. The majority of this debt (\$156.3 billion) has been issued by state authorities. State authorities report that debt issued for state purposes continues to decrease, while debt issued for the authorities' purpose has increased. Debt issued by local authorities and local development corporations continues to increase, while the amount of debt issued by IDAs continues to decrease.
- In general, public authorities report that procurement contracts are primarily obtained through competitive selection processes. However, IDAs continue to use competitive selection practices far less frequently than the other types of authorities.
- The data reported by industrial development agencies and local development corporations continues to raise questions as to the effectiveness of the state's economic development approach. There is little correlation between the number of public authorities involved with economic development in a county or the number of projects that receive financial assistance from IDAs and private sector job growth. Yet, \$38.5 million in net exemptions were provided to the 316 projects that IDAs approved in 2015.
- IDAs reported that 250 projects approved in 2011 that were still receiving financial assistance in 2015 received a total of \$145.5 million of net exemptions over the five years, and created in total 2,666 more jobs than originally expected. This success was primarily due to four projects that reported a total of 3,425 more jobs than originally expected.
- The growth in the number of local development corporations continues. The reliance on these entities has been tied to an increased risk for potential waste, fraud or abuse of

taxpayer dollars, and several local development corporations across the state were recently involved in charges of securities fraud and bid rigging. Yet local development corporations are being used more frequently as a source for economic development and capital program financing. For 2015 local development corporations reported having \$12.8 billion in outstanding debt and providing nearly \$1 million in loans and grants for projects.

- There are 3,464 board member positions at these 577 public authorities, 1,161 of which (34 percent) are held by state and local government officials. Despite the expectation that public authorities and board members act independently, these board members 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.
- The report cites 117 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.

The complete ABO Annual Report, and a list of all delinquent authorities, is available at: <http://www.abo.ny.gov/reports/annualreports/ABO2016AnnualReport.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 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.