



Damning Findings in ABO 2017 Annual Report: Billions Spent Via Authority Economic Development Initiatives Are Not Creating “Measurable Benefits” Including Jobs

Authorities are Not Accountable or Transparent

Reinvent Albany read with great concern the 2017 annual report released by the Authorities Budget Report this month. The report highlights substantial problems with economic development in the state, and raises significant ongoing issues with the accountability and transparency of the state’s authorities, despite major reforms in 2005 and 2009.

In their annual report, the ABO concludes that there is little evidence that billions of dollars being spent by state and local authorities for economic development are creating jobs or other measurable benefits:

The majority of the 578 public authorities have a primary mission of economic development and more specifically job growth and retention. Yet the presence or concentration of these authorities within a geographic area, the number of projects provided financial assistance by these authorities, or the amount of financial assistance that is provided to a project appears to have no direct impact on private sector job growth.

New York State and its local governments spend billions of dollars annually through grants, loans and other operating assistance provided to projects with no clear measurable understanding of the benefits realized from such expenditures.

The current practice of creating public authorities to address the issue of economic development can hardly be considered effective.

Furthermore according to the ABO report, while every county of the state has created an IDA:

there is little correlation between a county's change in private sector employment totals between 2012 and 2016 and the number of projects approved by an IDA in the county. The three counties with the greatest number of projects approved (Monroe, Nassau and Suffolk) combine to have an average growth of 5.6 percent for private sector employment between 2012 and 2016, 2.5 percent lower than the State average of 8.1 percent. Conversely, three counties with very few projects approved (Columbia, Putnam and Ulster) combine to have an average growth of 7.9 percent for private sector employment between 2012 and 2016, almost at the same level of the State average of 8.1 percent. These three counties with very few approved projects have a greater private sector employment growth rate from 2012 to 2016 than the three counties with the most projects approved.”¹

Among the report's other major findings are:

- The state has 578 total authorities, including a whopping 295 affiliated not-for-profit corporations (LDCs), an increase of 200 percent since 2000. The ABO says, “the proliferation of LDCs in recent years has increased the risk for waste and abuse of public funds.”²
- Outstanding debt of authorities increased to \$269.9 billion, with \$159 billion issued by state authorities, led by the Dormitory Authority with \$47.3 billion and the MTA with \$37.3 billion. Local authority debt totaled \$81 billion led by the NYC Transitional Finance Authority (\$36.36 billion) and the NYC Municipal Water Finance Authority (\$29.71 billion).
- State authorities spent \$7.3 billion on procurement contracts in 2016 with 74 percent competitively bid while local authorities spent \$2.5 billion on procurement with 51.3 percent competitively bid. The Comptroller's Clean Contracting Legislation (S3984-A/A6355-A) requires authorities to establish procurement guidelines that mirrors the competitive bidding of state agencies.³
- Twenty five percent of the 577 public authorities' board members did not attend required trainings on board ethics, legal, fiduciary and financial responsibilities. 40 authorities failed to respond to ABO inquiries as to why they did not attend the training. While the ABO has the authority to recommend censure and removal of Board members, the ABO reports when it has used these powers there

¹ See pages 48-49 at <https://www.abo.ny.gov/reports/annualreports/ABO2017AnnualReport.pdf>

² See p. 53 at <https://www.abo.ny.gov/reports/annualreports/ABO2017AnnualReport.pdf>

³ See pages 29-30 for breakout on contracting by competitive and non-competitive bidding for each state and local authority at <https://www.abo.ny.gov/reports/annualreports/ABO2017AnnualReport.pdf>.

has been little to no reaction from the authorities' boards or appointing authorities. It therefore seeks the authority to levy fines and suspend board members, and curtail board activities.

- 1/4 of public authorities routinely fail to meet reporting requirements while others deny even being an authority despite meeting the definition in law.
- Data reported to the public authorities database (PARIS) is “questionable” and has been “repeatedly inaccurate and unreliable.”⁴
- 108,518 staff work at state authorities receiving \$7.93 billion in compensation. 51,306 staff work at local authorities receiving \$3.03 billion in compensation. Twenty two authorities provide bonuses to staff totaling as much as \$10,000 or more.
- Major ethical lapses occurred at the St. Lawrence County Industrial Development Agency, including making below interest loans without disclosing conflicts of interest, approving business loans with different job targets than those established by the Board, and misappropriation of Board funds. The Eastern Rensseelaer County Solid Waste Management Authority's Executive Director worked for companies that had business contracts with the Authority and he awarded contracts without competitively bidding out the contracts.

⁴ See page A1 at <https://www.abo.ny.gov/reports/annualreports/ABO2017AnnualReport.pdf>