



## **OFFICE OF THE STATE COMPTROLLER**

Thomas P. DiNapoli, State Comptroller

### **Public Authorities by the Numbers: New York State Urban Development Corporation**

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#### **Introduction**

The growth in the number, cost and influence of public authorities has necessitated increased oversight and disclosure of their activities. Both the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009 (PARA 2009) have attempted to extend to public authorities the oversight to which other government agencies are subject. This profile is part of Comptroller DiNapoli's continuing effort to strengthen government accountability and improve public access to information.

#### **New York State Urban Development Corporation**

The New York State Urban Development Corporation (UDC) was created in 1968 to address the State's growing urban blight, lack of low- and moderate-income housing, and inadequate access to educational, recreational, cultural and community facilities. In addition, the UDC Act sought to address unemployment and underemployment exacerbated by the loss of industrial, manufacturing and commercial facilities in the State. The Authority was formed to promote economic growth, prevent further economic decline and encourage job creation.

UDC was empowered to issue bonds and notes, grant loans and tax exemptions, and acquire private property. UDC was also granted the power to acquire real property through the provisions of the eminent domain procedure law provided the Authority finds that the acquisition is necessary or convenient to achieve its purpose. In addition, UDC was authorized to create subsidiaries, by resolution, pursuant to business corporation law, not-for-profit corporation law or private housing finance law.

UDC began doing business as the Empire State Development Corporation (ESDC) in 1995, with the intention to serve as an umbrella organization for all the State's economic development entities. Prior to 1995, the State's four main economic development organizations—the Department of Economic Development (DED), a State agency, as well as UDC, the New York Job Development Authority (JDA) and the Science and Technology Foundation (STF), all public authorities—were administered separately. Some STF functions were transferred to UDC, others were transferred to the New York State Foundation for Science, Technology and Innovation (NYSTAR), and the STF was abolished in 2000.

There is a remarkable lack of clarity and transparency with regard to the enmeshed structure of the State's economic development entities. UDC and JDA are, and continue to operate as, public authorities with separate financial statements and authorizations to issue debt, grant loans and create subsidiaries. DED, as a State agency, is funded through the State budget and subject to the same oversight and accountability as other agencies. However, there is no discernable distinction in the operations and functioning of these entities.

Various Executive proposals over the years have sought to statutorily consolidate the State's economic development entities. However, to date none of the proposals have been enacted by the Legislature, due in part to concerns related to reduced transparency and accountability. This is because the proposals have consistently sought to transfer agency functions to public authorities, which are not subject to the same oversight requirements that apply to agencies.

Currently, UDC has three main offices in Albany, Buffalo and New York City, in addition to 10 regional offices around the State. UDC also maintains an international presence with 16 locations throughout the world, including offices in Australia, the United Kingdom, France, Germany, India, Israel, Mexico, Brazil, Chile, South Africa, Turkey, two offices in Canada and three in China.

## **New York State Urban Development Corporation by the Numbers<sup>1</sup>**

**Debt:** UDC's debt outstanding totaled more than \$8.4 billion for the authority's fiscal year ended March 31, 2010. Of that total, over \$8.2 billion is State-Supported debt. UDC's debt makes up nearly 18 percent of total State-Supported public authority debt outstanding.

UDC is one of five public authorities authorized to issue personal income tax revenue bonds on behalf of the State to support capital spending. Some of this debt may be used for purposes other than those for which the authority was created.<sup>2</sup> This so-called "backdoor borrowing" is undertaken because General Obligation Bonds require voter approval.

As of March 31, 2010, more than 93 percent of all State-Supported debt outstanding was issued by public authorities without voter approval, reflecting an average increase of nearly 9.0 percent per year since 1985.<sup>3</sup> Public authority debt issued on behalf of the State has almost completely supplanted voter-approved General Obligation debt as the means of financing the State's capital program.

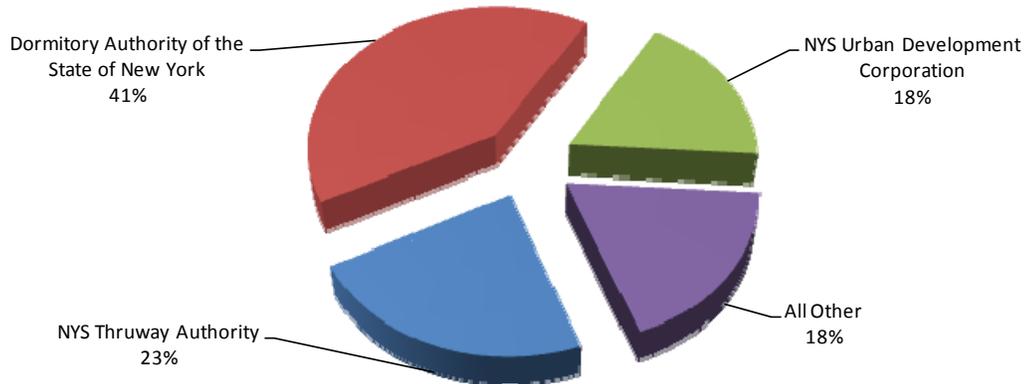
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<sup>1</sup> The data reported have been submitted by the New York State Urban Development Corporation through the Public Authorities Reporting Information System (PARIS). Unless otherwise stated, the data are for the fiscal year ended March 31, 2010. The data are self-reported and not verified by the Office of the State Comptroller. Competitive and noncompetitive bid contract data includes all active contracts, regardless of contract award date or contract end date, and reflects the total value of the life of the contract.

<sup>2</sup> As per Section 50 of Chapter 56 of the Laws of 2009.

<sup>3</sup> For more information, see the Office of the State Comptroller report, *Debt Impact Study*, released in March 2010.

## State-Supported Public Authority Debt Outstanding



**Subsidiaries:** Since its establishment in 1968, UDC has created over 200 subsidiary corporations and other corporate entities for various purposes. Currently, UDC lists 169 subsidiaries in the Public Authorities Reporting Information System (PARIS).<sup>4</sup> UDC and its subsidiaries make up 15 percent of all the State's public authorities. Most of these subsidiaries were created prior to 1975.

A 2006 audit by the Office of the State Comptroller (OSC) examining the authority's oversight of subsidiary operations found that UDC officials had appropriate processes in place to control and actively monitor subsidiaries that are responsible for managing ongoing large-scale economic development projects. However, the audit also found that UDC did not adequately oversee the status of many of its subsidiaries, and rarely dissolved subsidiaries once their purpose had been achieved and they were no longer needed.

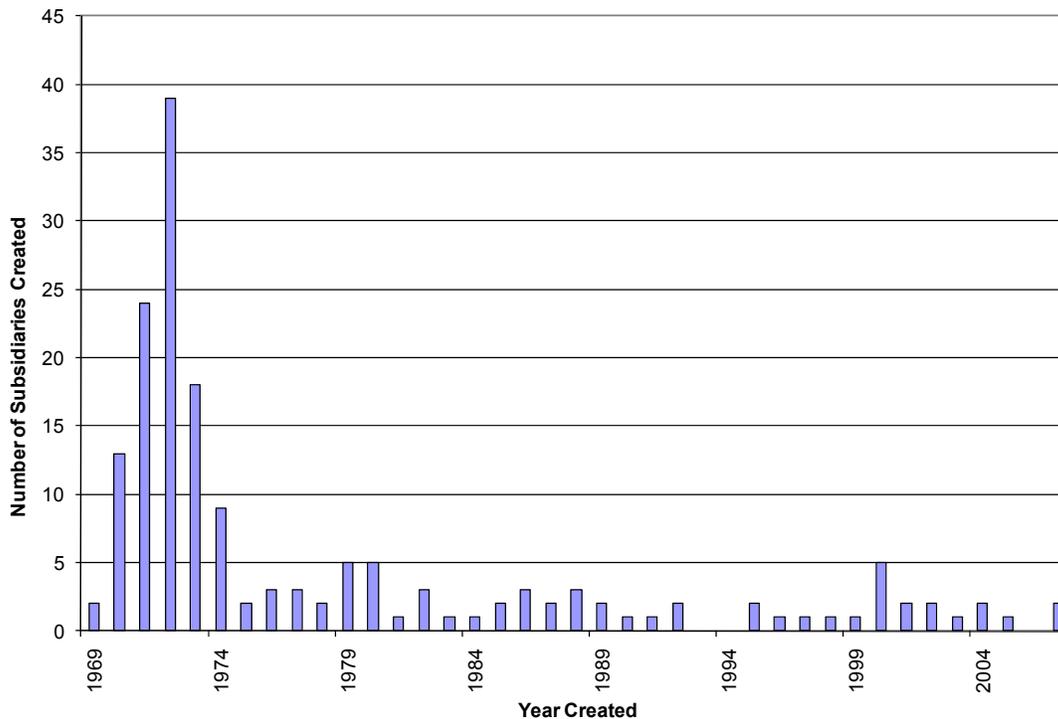
A follow-up audit issued in 2008 found that of the six recommendations made by OSC in the initial audit, UDC had fully implemented only one. Four others were partially implemented and one had not been implemented at all.<sup>5</sup>

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<sup>4</sup> The Office of the State Comptroller, in coordination with the Authority Budget Office, developed a comprehensive on-line reporting system, known as PARIS. PARIS consolidates public authority reporting data into a centralized location, streamlining administrative requirements and facilitating access to financial and other information on State and local public authorities.

<sup>5</sup> For more information, see the Office of the State Comptroller audit, *Empire State Development Corporation: Oversight of Subsidiary Operations*, released in May 2006 (Report 2005-S-6) and *Oversight of Subsidiary Operations Follow-Up Report*, released in March 2008 (2007-F-51).

### UDC Creation of New Subsidiaries by Year



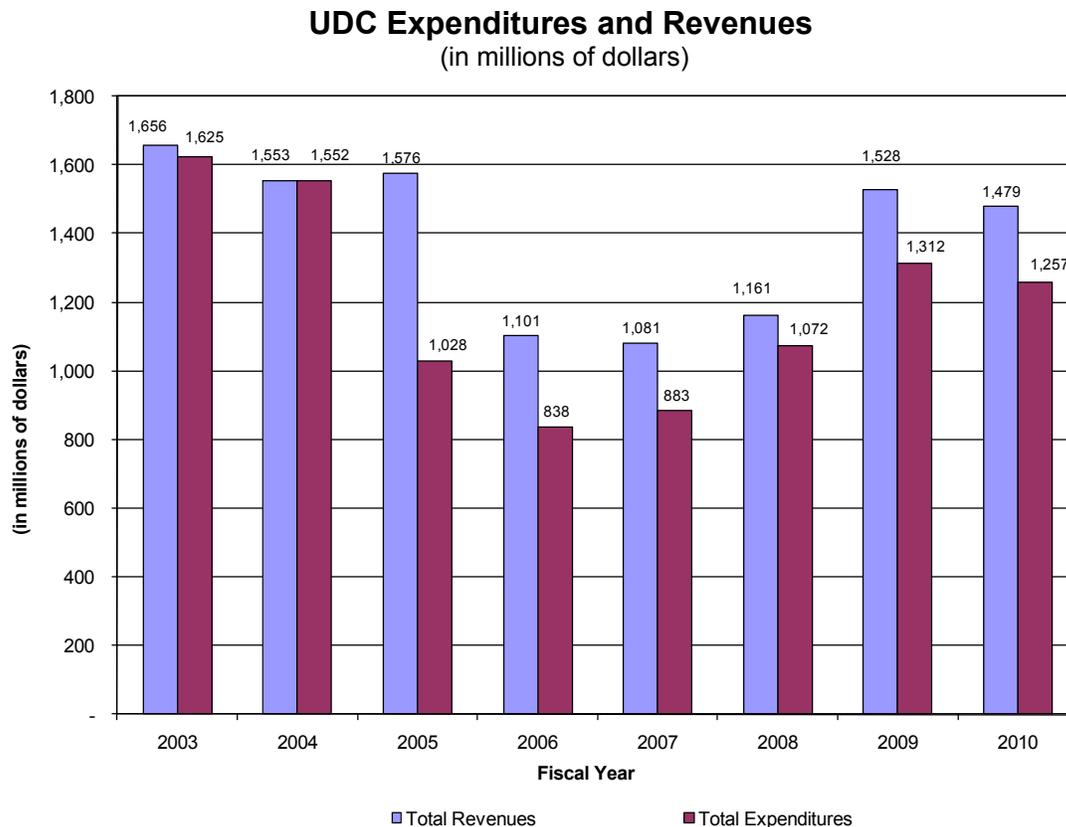
Still, little is known about many of UDC’s subsidiaries or the relationship of those entities with UDC as the parent organization. UDC is required to report subsidiary financial and other data as part of a consolidated filing, pursuant to various reporting requirements in the Public Authorities Law and related regulations. Entities which are not identified as subsidiaries, such as the New York Job Development Authority, must report independently.

However, while the JDA and its programs are administered by UDC, the JDA has not filed many of the independent reports required since 2005. Provisions in the Public Authorities Reform Act 2009 grant the Authorities Budget Office (ABO) expanded power to initiate formal investigations, publicly warn and censure noncompliant authorities, recommend suspension or dismissal of officers or directors, report suspected criminal activity to the Attorney General, and commence proceedings in State Supreme Court to seek records, documentation or other information required to perform its duties. These provisions were enacted, in part, to improve the responsiveness and compliance rates of all authorities.

**Off-Budget Spending:** Most public authority spending is not appropriated in the State Budget and, therefore, not captured by the State’s Central Accounting System. This off-budget spending makes it difficult to track public authority spending and assess if authorities are operating efficiently and in the public’s interest. Off-budget spending by public authorities can also undermine capital planning efforts, as it is difficult to assess whether the State’s critical infrastructure needs are being met.

Off-budget capital spending by UDC is expected to top \$52.8 million for SFY 2010-11 through SFY 2013-14.<sup>6</sup> This includes spending for the Community Enhancement Facilities Assistance Program (CEFAP) and other regional economic development purposes.

**Expenditures and Revenue:** Self-reported expenditures for the fiscal year ended March 31, 2010 totaled \$1.3 billion. Total revenues reported for the same period were \$1.5 billion.



**Employment:** UDC employs 359 full-time and part-time employees at various locations. Total compensation for these employees totaled \$29.5 million for the fiscal year ended March 31, 2010. UDC reported 102 employees with total compensation of over \$100,000—nearly three of every ten employees, or 28 percent, including 30 vice presidents of varying levels and 12 directors. In comparison, State public authorities as a whole reported that 11 percent of employees earned total compensation over \$100,000 during the most recently reported fiscal year, while just 7 percent of State employees and 12 percent of New York residents earned as much.<sup>7</sup>

<sup>6</sup> New York State Division of the Budget, 2010-11 Enacted Budget Financial Plan. This spending is reported monthly in the *Comptroller's Monthly Report on State Funds Cash Basis of Accounting*.

<sup>7</sup> U.S. Census Bureau, *2006-2008 American Community Survey 3-Year Estimates*, Table S2001. Earnings in the Past 12 Months (in 2008 Inflation-Adjusted Dollars).

**UDC Employee Data**  
For Fiscal Year Ended March 31, 2010

Category	Number of Employees	% of Total Employees	Total Compensation <i>(in millions of dollars)</i>	% of Total Compensation
Greater than \$100k	102	28%	13.3	45%
Between \$50k and \$100k	194	54%	13.7	46%
Less than \$50k	63	18%	2.6	9%
<b>Total</b>	<b>359</b>		<b>29.6</b>	

Note: Columns may not add due to rounding.

**Contracts:** In FY 2008-09, UDC reported 97 procurement contracts entered into through a competitive bidding process, with a total value of \$216 million. However, contracts representing more than sixty percent of the total value of UDC's procurements (over \$344 million) were awarded through a noncompetitive process.

Unlike State agency contracts, these transactions are not subject to approval by the Office of the State Comptroller. However, the Public Authorities Reform Act of 2009 gives the Comptroller the discretion to review public authority contracts in excess of \$1.0 million that were either awarded noncompetitively or were paid in whole or in part from State-appropriated funds.

**UDC Procurement Data**  
For Fiscal Year Ended March 31, 2009

Award Process	Number of Contracts	Value of Contracts <i>(in millions of dollars)</i>
Competitive Bid	97	216.1
Noncompetitive Bid	32	344.9
Non-Contract Procurements	80	2.0
Purchased Under State Contract	12	0.7
<b>Total</b>	<b>221</b>	<b>563.7</b>

## Conclusion

UDC administers and monitors economic development programs that allocate significant resources to generate business investment, stimulate job growth and encourage economic expansion in New York State. In addition, UDC manages a substantial portion of the State's public authority-issued debt portfolio.

Both the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009 have attempted to extend to public authorities the oversight to which other government agencies are subject. However, despite these reforms, there are still aspects of public authority operations that remain in the shadows. This overview and additional profiles of public authorities are part of Comptroller DiNapoli's continuing effort to strengthen government accountability and improve public access to information.