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*N.Y. Goes Nowhere on Range of Issues*  
By Ted Phillips

As New York lawmakers patted themselves on the back for passing 811 bills in the 2008 legislative session that ended last month, the muni bond community watched as legislation pertaining to industrial development agency borrowing, public authority reform, an expansion of tax increment financing, and property tax caps got nowhere.

State senators introduced 7,694 bills this session and passed 1,839. Assembly members introduced 10,444 bills, of which 1,152 passed. Clearly it's far easier to introduce legislation than it is to get it passed.

**"Most bills don't go anywhere and the question is whether that's a good or bad thing," said Robert Ward, deputy director of the Rockefeller Institute, a policy think tank that is part of the State University of New York. "The culture in New York is that legislators introduce an awful lot of bills that they don't expect to pass."**

**Part of the reason is that the state has a broad array of powerful interest groups that approach legislators and ask them to respond to a bill, he said.**

**"It's more or less accepted practice for them that introducing a bill does not in any way mean that it's expected to pass," Ward said. "Sometimes the point of doing that is simply to avoid saying no to an interest group, sometimes to genuinely see if support can be put together for a bill."**

It was business as usual in a most unusual year that saw a lieutenant governor ascend to the top spot after a scandal forced the resignation of Gov. Eliot "Steamroller" Spitzer. It's impossible to know whether the stunning announcement on the last day

of the legislative session that Spitzer's top rival, Senate Majority Leader Joseph Bruno, R-Brunswick, would step down from his leadership role and not seek reelection so distracted the Senate that it stopped them from cutting any last-minute deals with the Assembly.

In just a year and a half the so-called "three-men in a room" triumvirate of the governor, Senate majority leader, and Assembly speaker, who ultimately decide which laws get passed, has undergone a sea change from being weighted to upstate New York to being completely controlled by Democrats from New York City — Gov. David Paterson and Assembly Speaker Sheldon Silver, D-Manhattan — and a new Republican Senate majority leader from Long Island, Sen. Dean Skelos, R-Rockville Center.

"The 2008 legislative session was extremely productive, especially considering the extraordinary mid-session transition in the governor's office," Skelos spokesman Scott Reif said. "As Sen. Skelos has said, there is unfinished business that remains, most notably the pressing need to provide real property-tax relief for New Yorkers and their families. We also expect discussions to continue on IDA and public authority reform."

What issues like IDA and public authority reform, TIF expansion, and property tax caps have in common are that they either already are multi-year efforts or likely will be.

**"If you an advocate for a cause you often have to think in terms of many years of pushing an idea, and if you get a bill introduced this year, it puts you in a better position next year than if you didn't get the bill introduced," Ward said. "Sometimes it's a matter of momentum [and] an argument of many years sometimes gets resolved one way or the other."**

Arguably no public finance issue has raised more acrimony than the reform of industrial development agencies. The latest effort to reform IDAs deadlocked last year after the Assembly passed a bill with far-reaching changes designed to make the agencies operate with more transparency and greater accountability. However, it also included a prevailing wage provision pushed by labor that would mandate that construction workers on IDA-financed projects be paid the median wage for the nearest metropolitan statistical area.

The Senate balked. A law allowing IDAs to sell bonds for civic facilities on behalf of nonprofits expired in January, cutting off tax-exempt financing for organizations across the state. The battle is essentially ideological, pitting the business community against organized labor.

The prevailing wage provision doesn't have the backing of the governor, Paterson spokeswoman Erin Duggan said.

Paterson is "opposed to mandating statewide prevailing and living wage requirements for all IDA projects, preferring to let the local IDAs control such requirements as a matter of discretion — letting them decide what makes sense for their local economic development," Duggan said.

But the governor does want some reform measures implemented, she said.

Brian McMahon, executive director of the New York State Economic Development Council, blamed the impasse on the influence of unions pressing the Legislature to create wage mandates that he said would hurt business.

"We share the same goals of higher wages for construction workers," McMahon said. "We believe the best way to increase wages is to improve our business climate, and if our business climate is improved by reducing costs on employers, there will be more projects in New York and more competition for labor and wages will rise."

Sadaf Khatri, lead researcher for New York Jobs With Justice, a labor-oriented coalition, blamed the Senate for the standoff.

"I wouldn't say it's the unions that are holding things up, it's the Senate's resistance to actually do something about the IDA issue and get the legislation passed or even negotiate the wage issue," Khatri said. "There's a real problem with the way that IDAs

are functioning ... Young people are leaving [upstate New York] because they need good jobs and those aren't being created by IDAs."

Khatri said that other states that have prevailing wage requirements for economic development are not less business-friendly.

Sen. Elizabeth Little, R-Queensbury, who sponsored an IDA bill in the Senate last year, said she was waiting on leadership from the governor's office.

"Everything's kind of up in the air right now," she said. "It's pretty much up to the governor's office what they're going to do with that."

Expansion of tax increment financing, which is a tried and true method to pay for targeted municipal improvement projects in many other states, seemed like a no-brainer this session. So much so that Assemblyman Sam Hoyt, D-Buffalo, chairman of the local governments committee where the legislation was held up toward the end of the session, told The Bond Buyer in June that a bill would pass both chambers. It didn't.

Typically, a TIF district is established by a community for redevelopment purposes. The existing property tax base is frozen at the time and any taxes above that base generated by subsequent development can be used to finance improvements in the district. The tax "increment" can be used to back debt to pay for those improvements.

The practice has been legal in New York since the 1980s. But New York doesn't allow for the use of school district property taxes. As a result it has not been a viable method, because without school property taxes — which accounts for 62% of property taxes collected in the state — there isn't much of an increment. The new legislation would have allowed school district taxes to be included in the TIF district as well as some other provisions.

The Senate passed a bill but the Assembly bill was amended in the local governments committee that stripped it down to its barest essentials, and that amended bill never got further than the Assembly Ways and Means committee.

The bill's sponsor, Assemblyman Robin Schimminger, D-Tonawanda, said it was unfortunate that the local governments committee had required modifications and that the bill was not passed this session.

“I fully intend to keep up the fight,” he said. “This is the kind of economic development tool that is clean and straightforward and should be included in the arsenal of economic development tools we have in New York state. We need all the help we can get.”

Passage of TIF legislation will involve continuing education and advocacy, he said.

Efforts to reform the state’s public authorities seemed to gain traction this year after failing last year, but in the end nothing happened despite three-way talks between the Assembly, Senate, and governors office. Assemblyman Richard Brodsky, D-Westchester, blamed New York City Mayor Michael Bloomberg for interfering, but a spokesman

said the mayor’s office disagreed with some of the proposals.

Critics have long decried public authorities as being unaccountable and as vehicles for “backdoor borrowing” since nearly all of New York’s state-backed debt is sold through public authorities rather than as voter-approved general obligation debt. Some of the key issues have been the creation of an independent budget office to oversee public authorities and requiring that board members have fiduciary duties.

The governor is expected to call the Legislature back in session to resolve some unfinished business before the 2009 session, but at this time it’s unclear issues surrounding IDAs, public authorities, and TIFs will be taken up again until next year.