April 2024

PERVERSE INCENTIVE

How New York State's IDAs Depend On Giving Away Tax Dollars

GOOD JOBS FIRST

Reinvent Albany

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Acknowledgements

This report was written by Anya Gizis with Greg LeRoy of Good Jobs First.

Good Jobs First is a national policy resource center that promotes corporate and government accountability in economic development. Since 1998, it has fought for reforms to increase transparency around the use of public money used in the name of economic development, and has revealed the numerous ways corporations – many of whom receive subsidies – violate civil and criminal regulations and laws.

Reinvent Albany advocates for transparent and accountable New York government. We work to strengthen Freedom of Information and Open Meeting Laws, open data, and transparent spending, budgeting, and planning. We work for ethical government and fact-based decision making that puts the broadest public interest first. We believe in clean elections and fewer barriers to voting. We take on boondoggles and challenge waste, fraud, and abuse —including corporate subsidies.

Perverse Incentive: Executive Summary

Industrial Development Agencies (IDAs), New York State's unelected local economic development agencies, have a perverse incentive to give away tax revenue that would otherwise go to schools, parks, and emergency services. IDAs get the bulk of their funding from the deal fees they receive from giving away local school, city, and county revenues in the form of corporate tax abatements. Simply put, IDA staff and consultants get paid for giving away tax dollars.

More abatement deals — and bigger deals — mean more revenues for IDAs. Given that most IDA revenues in turn go to pay IDA staff salaries and benefits plus their consultants, IDA employees have personal self-interests in generating more deal-driven fees.

We analyzed state and IDA data and found:

- New York's 107 currently active local IDAs got at least 80% of their overall operating revenues from transaction fees from 2018 to 2021.
- In 2021, *one-third of IDAs got 100% of their operating revenue from transaction fees*. More than two-thirds received over 80% of their operating budget from deal fees.
- IDAs that abate more taxes get more fees.

In 2021 alone, tax abatements cost NYS school districts a staggering $1.8 billion[1]. This figure includes tax abatements given by IDAs along with other local abatement programs.

The bottom line is that IDA staff have a strong institutional and personal incentive to give away more tax dollars as corporate tax abatements instead of having these tax dollars spent on investments in schools, safety and health that are essential for strong local economies.

This perverse incentive motivates IDAs to constantly make new deals and expand their activity. Right now in the upside down world of New York, IDAs are seeking to expand beyond providing tax breaks for industrial projects to abating the taxes on housing development. This is a terrible idea that will reduce the local tax base and funding available for schools while attracting more students.

We conclude with the following policy recommendations:

1. Eliminate the perverse incentive by funding IDAs within local government budgets.

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[1] Christine Wen, Good Jobs First. "Corporate Subsidies versus Public Education: How Tax Abatements Cost New York Public Schools." February 2023 at: https://goodjobsfirst.org/corporate-subsidies-versus-public-education-how-tax-abatements-cost-new-york-public-schools/

2. Forbid IDAs from abating the roughly 60% share of property taxes that would otherwise go to schools.

3. Confirm the state constitutional prohibition on IDAs subsidizing housing.

On balance, we believe New York should take a hard look at IDAs and question why so much power is being delegated to unelected officials whose activities take place outside of the constitutional budget process and whose salaries depend upon giving away tax revenue.

Perverse Incentive: Key Findings

IDAs budgets are driven by the size and number of the deals that they award, because a large portion of their budgets are based upon the transaction fees they collect from each project. The New York State Authorities Budget Office (ABO), the office tasked with making public authorities more accountable and transparent, labels these deal fees as "charges for services." They are "generated from the services provided by the authority," and can include bond-issuance fees, ongoing project-administrative fees, usage charges, toll collections, etc.[2]

Essentially, these fees are money that businesses pay to the IDA in exchange for enabling the tax breaks. They are *not* the same as Payments in Lieu of Taxes, or PILOTs, which are offsetting or "make up" payments which go to the local government, not to the IDA.

As Table 1 details, in total over the past five years, 80% of all the IDAs' operating revenues came from these deal fees. The largest dollar amount of fees came in 2021, when more than $81 million was collected. The highest share was in 2022, when almost 85% of overall IDA revenues came from fees.

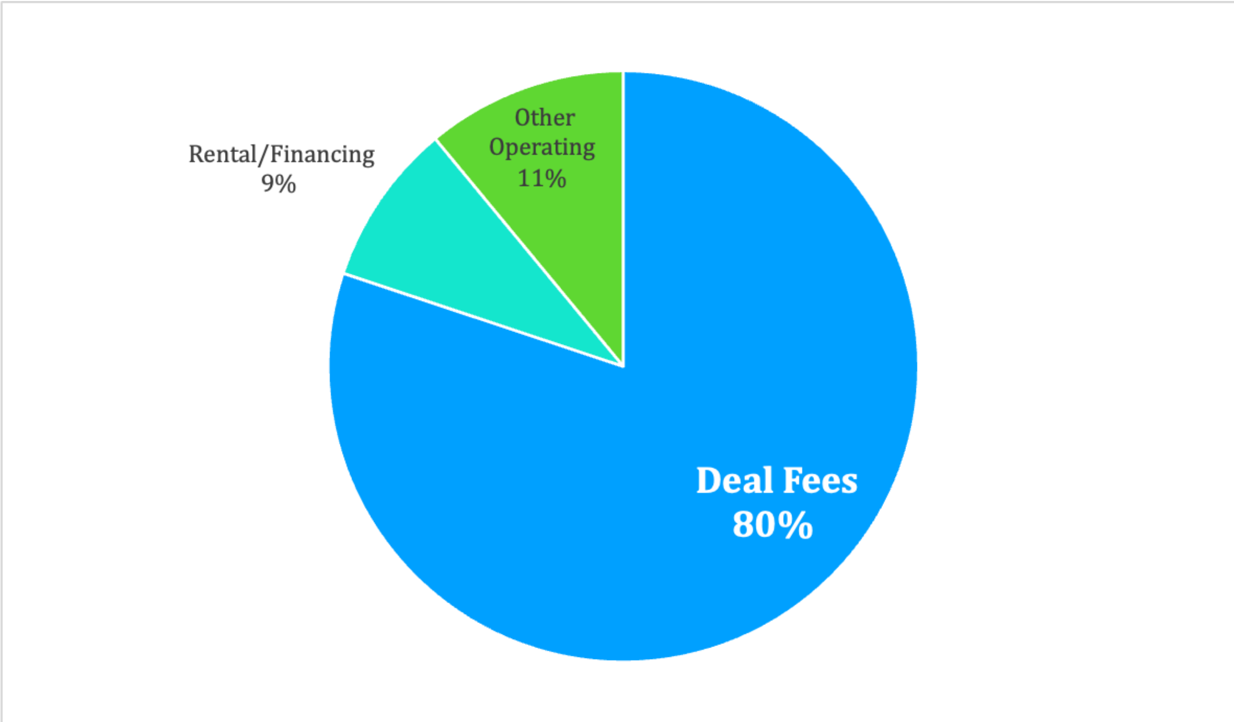
Table 1: IDA Share of IDA Revenues from Deal Fees, 2018 – 2022

Year	Deal Fees	Total Operating Revenue	Total Non-Operating Revenue	% of Operating Revenue from Fees	% of Total Revenue from Fees
2018	$53,548,449	$69,602,841	$29,208,540	76.9%	54.2%
2019	$45,409,182	$56,963,720	$19,824,470	79.7%	59.1%
2020	$41,127,521	$56,005,869	$16,553,689	73.4%	56.7%
2021	$81,612,629	$99,243,706	$33,120,282	82.2%	61.6%
2022	$67,538,030	$79,669,654	$39,846,421	84.8%	56.5%
Total	**$289,235,811**	**$361,485,791**	**$138,553,402**	**80.0%**	**57.8%**

Deal fees make up more than half of IDA's total revenue. This total revenue includes non-operating revenue, such as subsidies/grants, which are irregular sources of income. These are often short-term or one-time payments, such as federal American Rescue Plan Act (ARPA) money, that is sporadic and does not come from core operations. The ABO makes this distinction in its guidance to IDAs for their financial reporting (see Appendix D: Data Dictionary and Appendix B for 2021 example). Operating revenue is generally considered a better indicator of an entity's financial health.

[2] From the Authority Budget Office's data dictionary, at: https://data.ny.gov/Transparency/Summary-Financial-Information-for-Industrial-Devel/2jrz-w65a/about_data

Chart 1: Sources of Operating IDA Revenue, 2018 - 2022



Source: [Good Jobs First analysis of Authorities Budget Office Data]

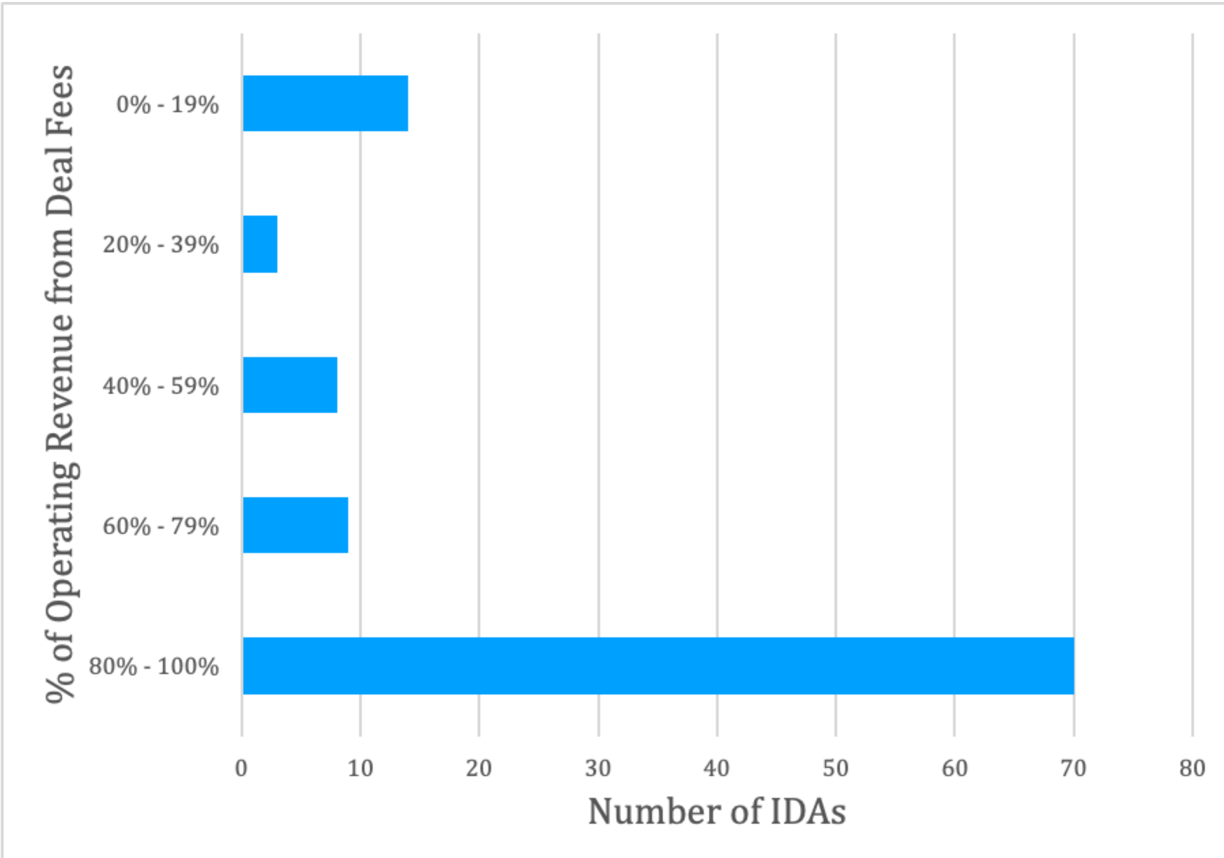
Other sources of operating revenue come from rental and financing income, along with miscellaneous other sources. Leasing and financing income can also in some cases be considered a "fee" because it is money directed by businesses to IDAs.

A Closer Look at 2021 Data

In 2021, there were 107 active IDAs. Fifty-six were county-wide, while 51 were specific to cities, towns, and villages (including New York City).

Of the 104 IDAs that had publicly available data from 2021, 34 received 100% of their operating revenue from deal fees. More than two-thirds, 70, received over 80% of their operating budgets from transaction fees.

Chart 2: Percentage of Operating Revenue from Fees, 2021



Source: [Good Jobs First analysis of Authorities Budget Office data]

Because IDAs are so reliant on deal fees for their budgets, they are incentivized to create more and bigger projects. One-third of IDAs are completely reliant on fees as their only source of operating income, pushing them to exempt more taxes at the public's expense to maintain and grow their own budgets. This creates a perverse incentive to generate more fees by providing more tax breaks, even if such tax breaks are not necessary.

In 2021, there was a high correlation, .89, between those IDA granting the most dollars in tax exemptions and their degree of dependency upon deal fees. That is, IDAs that give out the biggest exemptions are more dependent upon fees than IDAs in general.

As Table 2 details, of the five IDAs giving the largest net tax exemptions in 2021, three received 100% of their operating revenue from fees and four (New York City's, by far the state's largest) received 96%. In total, these five agencies gave out almost $440 million in net exemptions in their localities.

Table 2: IDAs with the Largest Net Tax Exemptions, 2021

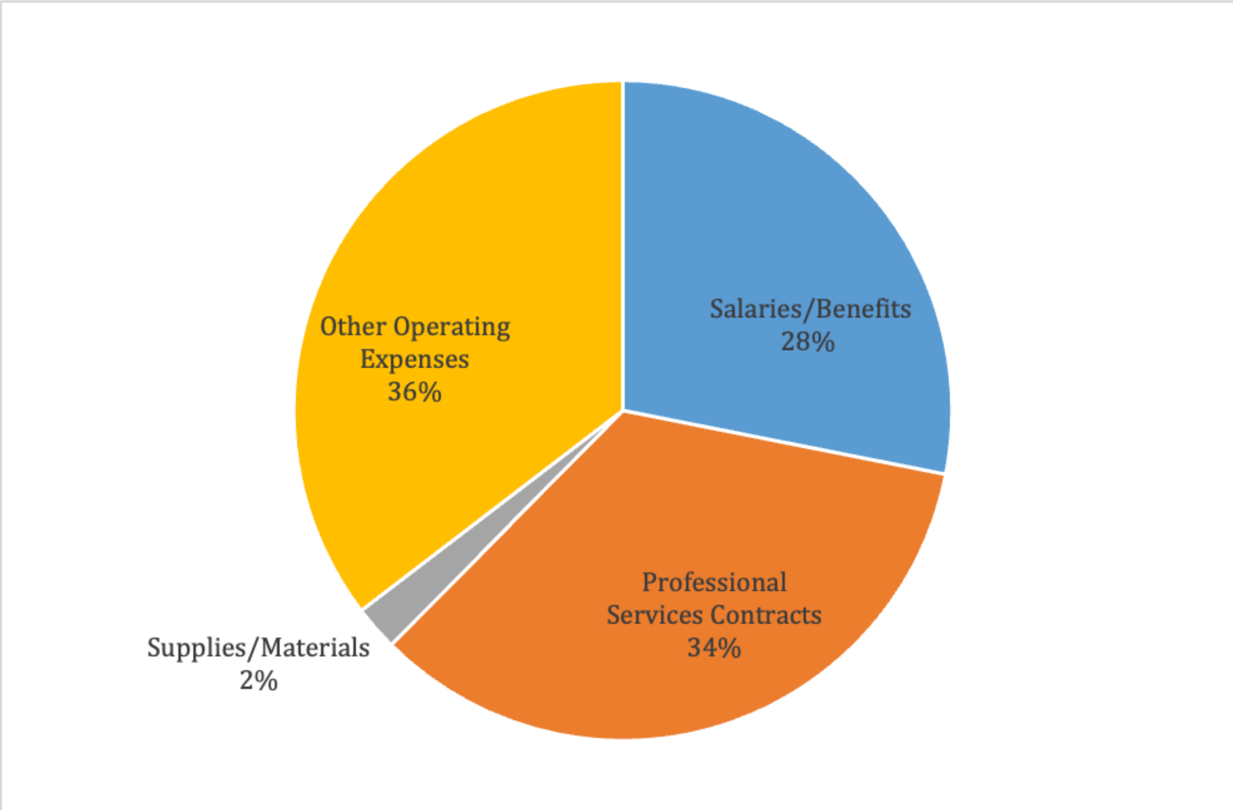
Industrial Development Agency	Net Tax Exemptions	Deal Fees	% of Operating Revenue from Fees
New York City Industrial Development Agency	$222,253,839	$14,082,000	96%
Nassau County Industrial Development Agency	$76,253,662	$3,077,498	76%
Dutchess County Industrial Development Agency	$50,854,564	$1,312,686	100%
Hempstead Industrial Development Agency	$48,463,739	$1,603,192	100%
Monroe Industrial Development Agency	$41,583,375	$3,875,877	100%

Sixty-two percent of IDAs' expenses are for staff salaries, benefits, and consultants. In 2021, 54 of the 104 IDAs with publicly available data had salaried employees, while 99 had professional service contracts. The ABO defines these contracts as: "Payments for work performed by an independent contractor or consultant requiring specialized knowledge, experience, expertise, or similar capabilities. Common examples of contractual services are auditing and accounting services, legal services, or advertising and marketing services."[3]

Per Chart 3 below, combined salaries, employee benefits, and consultant contracts made up 62% of all operating expenses. The professional service contracts cost almost $22 million, while salaries and benefits total almost $18 million. Total operating expenses were $63 million. Other operating expenses, as defined by the ABO, are recurring, fixed charges such as electric bills and mortgage payments.

[3] From Data NY, Summary Financial Information for Industrial Development Agencies: https://data.ny.gov/Transparency/Summary-Financial-Information-for-Industrial-Devel/2jrz-w65a/about_data

Chart 3: Operating Expenses by Category, 2021



Source: [Good Jobs First analysis of Authorities Budget Office data]

A Perverse Incentive

Although IDAs were created to spur economic development in their communities, our findings suggest they have a conflicting self-interest to maximize transaction fees.

This is a classic case of the principal-agent problem, when the priorities of a group and a provider of services to that group are not aligned. For example, homebuyers may be cajoled into buying less than optimal homes, because a real estate agent only gets paid if there is a sale and thus a sales commission. In economic development, if a site location consultant is getting paid by a commission on the share of discretionary incentives they negotiate for the corporate client, the consultant has an incentive to steer deals away from states with mostly "as of right," or *non-discretionary* incentives, which cannot generate a commission.

It is not unusual for development officials in New York State and elsewhere to refer to companies as their "clients," which indeed they are when commissions are involved. But of course the officially intended beneficiary of IDAs' work is the general public and its well-being. Hence the misalignment.

In the current system, IDAs can only grow their budgets by awarding more and bigger tax breaks to companies. The abatements take money away from cities, counties, and schools, and shift the tax burden onto other taxpayers.

Such a system can also breed corruption. At the Chautauqua County Industrial Development Agency (CCIDA), the Authorities Budget Office found that the Chief Financial Officer got reimbursed with IDA funds for a country club membership where he played golf with prospective clients. Overall, the ABO found more than $50,000 spent inappropriately by the CFO. In that same year, the CCIDA had more than $7 million dollars in revenue from fees.[4]

The end result of this structure is that IDAs have every incentive to push through unnecessary deals (or needlessly expensive deals) that harm communities, just to increase their own budgets. In recent years, towns and cities across New York have pushed back against deals and entire IDAs for this reason.

Recently, the town of Riverhead has pushed for its IDA to dissolve completely, citing harm to school funding. The town cites tax-abated housing deals and a tax break for an aquarium and a waterpark as projects that did not benefit the community or bring in permanent jobs, only draining the tax base.[5]

[4] J. Dale Shoemaker, "No more free golf for Chautauqua IDA" at: https://www.investigativepost.org/2023/08/03/no-more-free-golf-for-chautauqua-ida/

[5] Arabella Saunders, "As school funding runs dry, Riverhead residents call to shut down economic development org", at: https://riverheadlocal.com/2023/10/13/as-school-funding-runs-dry-riverhead-residents-call-to-shut-down-economic-development-org/

Policy Recommendations

To remove the IDAs' perverse incentive, and end this easily perceived pay-to-play culture, New York State must objectively weigh their governance structure and reward system.

The fact that IDAs are controlled by people who are appointed rather than elected creates a fundamental lack of accountability. Elected officials are elected to be in charge of taxing and spending. But in this case, some critically important spending authority is beyond the reach of voters.

Of course, once state legislation creates a system of powerful agencies like IDAs, there inevitably grows around it a network of self-interested individuals and transaction-processing corporations that are keen to maintain the status quo.[6] Like the IDAs, these processing corporations benefit financially from more and bigger tax-break deals. Their reward systems have nothing to do with measures of public well-being such as lower rates of inequality, rising median family incomes, or longer life expectancies.

Everyday New Yorkers struggle to meet their basic needs, even as IDAs hand out billions in tax breaks. Data has shown that upstate New York, considered apart from New York City's global financial-based economy, has performed for decades as poorly as some of the nation's most economically depressed states. Upstate cities like Buffalo, Rochester, and Syracuse have received billions in state economic development funds and provided massive local tax breaks, yet continue to suffer from staggeringly high child poverty rates.[7]

We believe that the flawed structure and reward system of the IDAs is inherently negative for local governments because it takes money from public services and steers it to corporate subsidies, thus creating a de facto public policy of attracting individual businesses based on tax breaks, not on high quality of life and public amenities.

Therefore, we recommend that New York State:

1. Eliminate the perverse incentive of IDA fees by funding IDAs within local government budgets.

[6] We refer here to the New York State Economic Development Corporation, which despite its name is not a state agency but rather a trade association. Besides IDAs (which number 107), many if not most of the NYSEDC's 900 members are entities which profit from IDA transactions. To quote from its own website: "Our more than 900 members include the leadership of Industrial Development Agencies and Local Development Corporations, commercial and investment banks, underwriters, bond counsels, utilities, chambers of commerce, higher education institutions, and private corporations." Its first-listed function is: "Lobbying state and federal government on issues affecting New York's business climate and economic development programs." At: https://www.nysedc.org/about_nysedc.php

[7] Kevin Tampone, "Syracuse leads the U.S. with worst child poverty among bigger cities, census says", at: https://www.syracuse.com/data/2022/03/syracuse-leads-the-us-with-worst-child-poverty-among-bigger-cities-census-says.html

2. Forbid IDAs from abating the roughly 60% share of property local taxes that would otherwise go to schools. This would greatly reduce the cost of abatements — and thus also the associated transaction fees.

3. Confirm the state constitutional prohibition on IDAs subsidizing housing.

In summary; we primarily recommend that the local economic development function in New York State be returned to local governments, staffed and controlled by an executive agency, the same as other municipal duties, and with final tax-break authorizations made only by a vote of elected officials. Put another way, we think economic development should be done within the constitutional framework of elected government, not by incentive-based public authorities operating off-budget.

Appendix A:

IDAs' Aggregate Operating and Non-Operating Revenue Sources, 2021

Operating Revenues

Deal Fees	Rental/Financing	Other Operating	Total Operating
$81,612,629	$7,251,387	$10,379,690	$99,243,706

Non-Operating Revenues

Investment Earnings	State Subsidies/ Grants	Federal Subsidies/ Grants	Municipal Subsidies/ Grants	Public Authority Subsidies	Other Non-Operating Revenues	Total Non-Operating Revenue
$644,677	$9,001,752	$13,054,289	$3,201,047	$984,128	$6,161,841	$33,120,282

Appendix B:

Each IDA's Share of Operating Revenue from Fees, 2021

Row Labels	Sum of Charges for services	Sum of Total Operating Revenue	Average of % of Operating as Fees
Albany City Industrial Development Agency	$1,907,976	$1,907,976	100%
Albany County Industrial Development Agency	$61,382	$61,382	100%
Allegany Industrial Development Agency	$506,872	$1,055,560	48%
Amherst Industrial Development Agency	$861,397	$959,852	90%
Amsterdam Industrial Development Agency	$215,525	$1,248,601	17%
Auburn Industrial Development Agency	$195,303	$195,303	100%
Babylon Industrial Development Agency	$1,970,416	$1,970,416	100%
Bethlehem Industrial Development Agency	$146,840	$146,840	100%
Brookhaven Industrial Development Agency	$5,182,094	$5,182,094	100%
Broome Industrial Development Agency	$709,685	$861,652	82%
Cattaraugus Industrial Development Agency	$369,489	$374,512	99%
Cayuga Industrial Development Agency	$98,006	$98,006	100%
Chautauqua Industrial Development Agency	$948,652	$2,209,664	43%
Chemung Industrial Development Agency	$776,322	$869,513	89%
Chenango Industrial Development Agency	-	$187,954	0%
City of Rensselaer Industrial Development Agency	$35,957	$35,957	100%
City of Schenectady Industrial Development Agency	$424,183	$426,603	99%
City of Utica Industrial Development Agency	$186,541	$192,166	97%
Clarence Industrial Development Agency	$66,400	$66,400	100%
Clifton Park Industrial Development Agency	$52,286	$52,286	100%

Row Labels	Sum of Charges for services	Sum of Total Operating Revenue	Average of % of Operating as Fees
Clinton County Industrial Development Agency	$180,843	$180,843	100%
Cohoes Industrial Development Agency	$153,227	$153,227	100%
Colonie Industrial Development Agency	$65,700	$68,141	96%
Columbia Industrial Development Agency	$42,500	$43,046	99%
Cortland Industrial Development Agency	$618,552	$634,975	97%
Delaware County Industrial Development Agency	$741,620	$920,520	81%
Dunkirk Industrial Development Agency	$19,000	$19,000	100%
Dutchess County Industrial Development Agency	$1,312,686	$1,312,686	100%
Erie County Industrial Development Agency	$2,419,283	$3,244,620	75%
Essex County Industrial Development Agency	$161,029	$173,829	93%
Fairport Industrial Development Agency	$220,679	$329,512	67%
Franklin County Industrial Development Agency	$287,835	$332,749	87%
Fulton County Industrial Development Agency	$215,773	$223,063	97%
Genesee County Industrial Development Agency	$3,707,404	$5,477,613	68%
Geneva Industrial Development Agency	$7,590	$291,571	3%
Glen Cove Industrial Development Agency	-	$659,226	0%
Glens Falls Industrial Development Agency	-	$51,738	0%
Green Island Industrial Development Agency	$80,750	$80,750	100%
Greene County Industrial Development Agency	$849,478	$864,534	98%
Guilderland Industrial Development Agency	$370,867	$370,867	100%
Hamburg Industrial Development Agency	$599,770	$599,770	100%
Hamilton County Industrial Development Agency	$13,365	$49,182	27%

Row Labels	Sum of Charges for services	Sum of Total Operating Revenue	Average of % of Operating as Fees
Hempstead Industrial Development Agency	$1,603,192	$1,603,192	100%
Herkimer Industrial Development Agency	$320,320	$392,298	82%
Hornell Industrial Development Agency	-	$916,770	0%
Hudson Industrial Development Agency	-	$311,714	0%
Islip Industrial Development Agency	$2,509,671	$2,519,671	100%
Jefferson Industrial Development Agency	$1,413,305	$1,792,582	79%
Lancaster Industrial Development Agency	$129,609	$129,609	100%
Lewis County Industrial Development Agency	$314,993	$648,669	49%
Livingston County Industrial Development Agency	$363,690	$363,722	100%
Madison County Industrial Development Agency	$385,176	$407,037	95%
Mechanicville-Stillwater Industrial Development Agency	$110,000	$110,000	100%
Middletown Industrial Development Agency	$9,000	$9,000	100%
Monroe Industrial Development Agency	$3,875,877	$3,875,877	100%
Montgomery County Industrial Development Agency	$1	$111,769	0%
Mount Pleasant Industrial Development Agency	$623,038	$623,038	100%
Mount Vernon Industrial Development Agency	$156,209	$356,234	44%
Nassau County Industrial Development Agency	$3,077,498	$4,031,228	76%
New Rochelle Industrial Development Agency	$1,054,890	$1,073,926	98%
New York City Industrial Development Agency	$14,082,000	$14,609,000	96%
Newburgh Industrial Development Agency	$238,756	$238,756	100%
Niagara County Industrial Development Agency	$680,725	$1,287,707	53%

Row Labels	Sum of Charges for services	Sum of Total Operating Revenue	Average of % of Operating as Fees
North Greenbush Industrial Development Agency	-	$4,541	0%
Oneida County Industrial Development Agency	$404,120	$457,370	88%
Onondaga County Industrial Development Agency	$1,345,756	$1,369,370	98%
Ontario County Industrial Development Agency	$1,087,900	$1,108,351	98%
Orange County Industrial Development Agency	$832,242	$936,759	89%
Orleans County Industrial Development Agency	$150,980	$216,423	70%
Oswego County Industrial Development Agency	$327,090	$631,938	52%
Otsego County Industrial Development Agency	$320,540	$521,993	61%
Peekskill Industrial Development Agency	$218,239	$251,239	87%
Port Chester Industrial Development Agency	$206,177	$227,177	91%
Port Jervis Industrial Development Agency	-	$46	0%
Poughkeepsie Industrial Development Agency	$42,792	$42,792	100%
Putnam County Industrial Development Agency	-	$5,111	0%
Rensselaer County Industrial Development Agency	$2,147,962	$2,289,445	94%
Riverhead Industrial Development Agency	$228,647	$259,130	88%
Rockland County Industrial Development Agency	$416,217	$416,217	100%
Salamanca Industrial Development Agency	-	$764,747	0%
Saratoga County Industrial Development Agency	$345,273	$345,273	100%
Schenectady County Industrial Development Agency	$254,850	$254,850	100%

Row Labels	Sum of Charges for services	Sum of Total Operating Revenue	Average of % of Operating as Fees
Schoharie County Industrial Development Agency	$36,889	$64,768	57%
Schuyler County Industrial Development Agency	$138,637	$140,422	99%
Seneca County Industrial Development Agency	$34,949	$146,795	24%
St. Lawrence County Industrial Development Agency	$891,991	$1,547,868	58%
Steuben County Industrial Development Agency	$1,364,615	$1,449,693	94%
Suffolk County Industrial Development Agency	$1,413,533	$1,413,533	100%
Sullivan County Industrial Development Agency	$1,267,722	$1,390,393	91%
Syracuse Industrial Development Agency	$1,127,709	$1,170,795	96%
Tioga County Industrial Development Agency	$203,012	$1,214,314	17%
Tompkins County Industrial Development Agency	$2,726,180	$2,726,180	100%
Town of Erwin Industrial Development Agency	-	$47,017	0%
Town of Lockport Industrial Development Agency	$131,200	$131,700	100%
Town of Malone Industrial Development Agency	$19,917	$19,949	100%
Town of Montgomery Industrial Development Agency	$1,454	$1,454	100%
Troy Industrial Development Authority	$30,622	$30,622	100%
Ulster County Industrial Development Agency	$775,376	$775,376	100%
Wallkill Industrial Development Agency	-	-	
Warren and Washington Counties Industrial Development Agency	$318,553	$349,000	91%
Wayne County Industrial Development Agency	$205,302	$205,302	100%

Row Labels	Sum of Charges for services	Sum of Total Operating Revenue	Average of % of Operating as Fees
Westchester County Industrial Development Agency	$1,849,605	$1,858,465	100%
Wyoming County Industrial Development Agency	$451,684	$606,878	74%
Yates County Industrial Development Agency	$200,548	$766,462	26%
Yonkers Industrial Development Agency	$2,363,119	$3,487,950	68%
Grand Total	**$81,612,629**	**$99,243,706**	**76%**

Appendix C:

IDAs 101

Industrial Development Agencies (IDAs) are New York's 107 state-enabled local authorities, created to promote economic development. Governed by boards which are appointed rather than elected, IDAs have the authority to grant different kinds of tax abatements to private companies.

Businesses may apply to their local IDA for exemptions or reductions on property, mortgage recording, and sales taxes. IDAs can also own and sell property or issue debt. IDAs may offer tax-exempt (low-interest) financing, although in recent years it has become less common. In their dominant function, IDAs give businesses deep discounts on their tax bills, as an incentive to locate or expand in a given area, without regard for whether they would have moved there anyway. In 2021, IDAs awarded more than $1.9 billion in gross exemptions to companies.

IDAs have geographic service boundaries, some of which overlap. Some are specific to a city, town, or village; others span a county (and said county may include other IDAs). These overlaps sometimes mean businesses can "shop" for the most generous IDA. Past controversies have seen this phenomenon, creating a "race to the bottom." Since 1969, there have been 177 authorized IDAs, and 107 are active today.

IDAs are primarily funded by the fees they collect from businesses for projects, their "charges for services." These can be annual project administration fees, or one-time bond issuance or transaction fees. Different IDAs calculate these fees differently, with some using a flat rate and others charging rates tied to the size of a company's investment.

IDAs do not impose or calibrate *taxes* themselves; they only grant tax exemptions or discounts. These exemptions reduce the tax base of cities, counties, and school districts. Although many deals require companies to make payments in lieu of taxes (PILOTs, which partially offset the revenue losses), these do not make local governments whole. Instead, New York State's Comptroller recognizes that often residents must make up these losses, writing: "[Abatements do] not necessarily reduce the revenue received by these local entities, but it may result in increases to taxpayer's bills."[8]

IDAs were created by the Industrial Development Agency Act of 1969. Each agency is made up of a volunteer unpaid board, composed of three to seven members, who vote on applications by businesses for tax exemptions. Board members are appointed by the governing board of each sponsoring locality.

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[8] Office of the State Comptroller, Performance of Industrial Development Agencies in New York State, 2023 Annual Report:
https://www.osc.ny.gov/files/local-government/publications/pdf/ida-performance-report-2023.pdf

Elected officials are permitted to serve on IDA boards, which has drawn criticism for creating a potentially corrupt "pay-to-play" dynamic. IDA board members are also required to report conflicts of interest, but those can be ignored. For example, in 2021, three Orange County IDA members were found guilty of directing $1 million in funds to businesses they either owned or were employed by.[9]

IDAs often have paid staff to negotiate agreements with businesses on their tax reductions. In 2021, 54 IDAs had paid staff, while 99 had professional service contracts (that is, some have both). In 2015, the state standardized the applications businesses make to IDAs, including questions about the value of the tax break, the number of jobs to be created, and whether the project would happen without the tax break ("but for" requirement).

Although IDAs are supposed to reject applications that do not meet this so-called "but for" requirement, they are permitted to use discretion. IDAs are required to hold public, live-streamed meetings on tax-break applications.

Over the years, numerous studies and journalistic investigations have found IDAs subsidizing a range of controversial or low-impact businesses, including Amazon warehouses, sports stadiums, an aquarium, and fast-food restaurants.

IDAs are not officially allowed to subsidize housing (likely even unconstitutional), because they do not create permanent jobs (as industrial or commercial projects are intended to do), although recent surveys have found hundreds of IDA-supported mixed-use projects with housing elements.[10]

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[9] "Industrial Development Agencies Compete to Cut Business Breaks with 'Legal Corruption'" at: https://www.nysenate.gov/newsroom/in-the-news/2021/james-skoufis/industrial-development-agencies-compete-cut-business-breaks

[10] Arabella Saunders and Julia Rock, *New York Focus*. "These Local Agencies Hand Out Over a Billion in Tax Breaks Across New York" at: https://nysfocus.com/2024/03/06/idas-new-york-economic-development

Appendix D:

Data Dictionary

Throughout the report, we reference different categories of revenue and expenses, as taken from the Authority Budget Office's reports and data sources. The ABO has guidelines for IDAs on their reporting that define these categories for their audits. The following data definitions clarify our terminology and the ABO's definitions, taken from their data dictionary.[11] In some cases, we felt it necessary to consolidate different ABO categories into one variable, as shown with the use of "AND".

Our Terminology	ABO Terminology	ABO Definition
Deal Fees	Charges for Services	The primary revenue source generated from the services provided by the authority. This could include fees, toll collections, usage charges, etc.
Rental/Financing	Rental and Financing Income	This is revenue received by the authority from renting property/premises to which the authority holds the title, as well as interest received from loans and financing income.
Other Operating Revenue	Other Operating Revenue	Any other operating revenues recognized by the authority that are not reflected in the categories provided.
Salaries and Benefits	Salaries and Wages AND Other Employee Benefits	Salaries and related payroll expenses paid to the employees of the authority. AND Compensation due to an employee pursuant to a written contract or written policy for holiday, time off for sickness, injury, personal reasons or vacation, bonuses, authorized expenses incurred during the course of employment, and contributions made on behalf of an employee towards health insurance and premiums. This category includes fringe benefits and allowances that are payments made by the authority for housing, relocation or transportation of employees which may or may not be paid directly to the employee.
Professional services contracts	Professional services contracts	Payments for work performed by an independent contractor or consultant requiring specialized knowledge, experience, expertise or similar capabilities. Common examples of contractual services are auditing and accounting services, legal services, or advertising and marketing services.
Supplies/materials	Supplies and materials	Payments for items that are used as part of the

[11] From Data NY, Summary Financial Information for Industrial Development Agencies, Data Dictionary: https://data.ny.gov/Transparency/Summary-Financial-Information-for-Industrial-Devel/2jrz-w65a/about_data

		authority's normal operations. This does not include (a) goods that have been acquired for use in constructing real property, (b) stockpile materials, and (c) inventory.
Other Operating Expenses	Depreciation and amortization AND Other operating expenses	Depreciation and amortization represent the allocation of the cost of a long-term asset to an expense over the useful life of the asset. Depreciation expense is for tangible assets while amortization expense is for intangible assets. AND These can include other costs incurred by the authority while carrying out its mission such as fixed charges. Fixed charges are periodic in nature and do not vary with the authority's business volume. Items such as gas and electric, administrative costs, costs for rent or mortgage payments can be included here.
Subsidies/Grants	State subsidies/grants AND Federal subsidies/grants AND Municipal subsidies/grants AND Public authority Subsidies	These include State contributions received in the form of funds provided to the authority by a State grant or subsidy. AND Funds provided to the authority by a Federal grant or subsidy. AND Funds provided to the authority by a Municipal grant or subsidy. AND Revenue received from another public authority in the form of a subsidy or grant.
Other Non-Operating Revenues	Investment earnings AND Other non-operating revenues	All income earned by the authority through investment activities. This includes interest earned from investments and bank accounts, among other sources. AND Any other non-operating revenues recognized by the authority that are not reflected in the categories provided.

Appendix E:

Methodology and Scope

Individual audits were obtained from New York State Authorities Budget Office (ABO)'s Industrial Development Agency Directory and Reports.[12] These audits were used to correct data discrepancies, mainly mislabeled operating versus non-operating budget items, changing PILOTs as charges for fees, and making pass-through revenue non-operating, from a spreadsheet downloaded from ABO's public authority data web page.[13] On the page, ABO specifies, "The ABO is not responsible for verifying the accuracy or reasonableness of the data reported, and does not verify or confirm the accuracy of the data. Specific details related to the financial information would need to be clarified by the reporting authority." We verified this fact in an interview with ABO staff.

ABO also includes guidance on what should be considered operating or non-operating revenue. It defines operating revenues as: charges for services, rental and financing income, and other operating revenues. It defines non-operating revenue as: investment earnings, state subsidies/grants, federal subsidies/grants, municipal subsidies/grants, public authority subsidies, and other non-operating revenue.

With this information, we felt it was necessary to correct any data mislabeling that we saw to make a uniform distinction between operating and non-operating revenue. We do not contend to have fully corrected the data. A detailed list of what changes were made to the data is available upon request.

Project data was found from New York's State Comptroller website, under Financial Data for Local Governments. The most recent year with compiled data came from 2021.[14]

[12] Industrial Development Agency Directory and Reports: https://www.abo.ny.gov/paw/paw_weblistingIDA.html
[13] Public Authority Data, at: https://www.abo.ny.gov/publicauthoritydata/PublicAuthorityDataSummaryFinancialInformation.html
[14] Financial Data for Local Governments, at: https://wwe1.osc.state.ny.us/localgov/findata/financial-data-for-local-governments.cfm

Appendix F: Data Inconsistencies:

Non-Operating Revenues and Peculiar PILOT Payments

In examining the audit reports of all IDAs from 2022 to 2018 (see Appendix E on methodology), we were struck by inconsistent reporting patterns. Of particular concern are: Which revenues are correctly assigned to an IDA's operating or non-operating budget?

Correctly assigned, non-operating revenues should include federal, state, and local grants, and usually denote infrequent or one-time revenues.

Operating revenue, which for IDAs includes charges for deal fees, rental and financing income, and miscellaneous sources, is considered a better indicator of the health of the agency and its operations. Including all grants (which may even include federal pandemic relief funds), fees still make up 58% of IDAs' combined operating and non-operating revenue for the five years we examined.

While looking through the audits, we also noticed that two IDAs, Chemung and Fairport, account for PILOTs as part of their institutional revenues. Other IDAs specified that any PILOT revenue they receive was strictly a pass-through (i.e., distributed to the local governments where it belongs). Although we reached out to these two IDAs for clarification, neither responded, suggesting to us that they are retaining PILOTs as IDA revenue. If true, this would reinforce the argument that IDAs have a perverse incentive of self-aggrandizement over prudent spending.