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N.Y. Comptroller Seeks 'Backdoor Borrowing' Ban

By [Andrew Coen](#)
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New York State Comptroller Thomas DiNapoli wants a constitutional limit on state debt and an end to "backdoor borrowing."

The debt proposals were part of a series of reforms DiNapoli outlined in a [report](#) Wednesday.

DiNapoli said the Debt Reform Act of 2000 needs to be retooled because provisions aimed at limiting debt were bypassed on numerous occasions. He noted that public authorities are not subject to the same checks and balances as state agencies, which results in hundreds of millions of dollars being spent annually with limited oversight. His proposals outlined in the report include a ban of "backdoor borrowing" and requiring voter approval for all new state debt with limited exceptions.

"New York continues to have a high debt burden, shrinking statutory debt capacity and too many examples of less responsible debt practices," said DiNapoli in the report. "The State relies heavily on backdoor borrowing by public authorities to circumvent the constitutional requirement that the voters who ultimately pay the bills

approve new debt."

DiNapoli's proposal would require projects being spearheaded by state-funded public authority projects be scored and ranked using measurable and objective criteria. He also proposes requiring more disclosure of public authorities' spending and financing activities. A February report released by DiNapoli noted that state-supported debt outstanding is projected to increase 19.6% to \$60.8 billion in fiscal 2021.

The new comptroller's report also highlights the importance of bolstering the state's rainy day fund since credit rating agencies have raised concerns about low reserves compared to other states. He also suggests creating a capital asset and infrastructure council to assist policy makers in prioritizing capital investments.

"Too often New York's approach to budgeting obscures spending and borrowing," said DiNapoli. "The Governor and the Legislature deserve credit for putting the state on stronger financial footing, but it is time to fix the persistent problems and improve New York's fiscal practices."

New York is rated Aa1 by Moody's Investors Service, and AA-plus by Standard & Poor's, Fitch Ratings and Kroll Bond Rating Agency. In 2014, New York, the fourth-most-populous state, was the second most indebted state in the nation behind only California, according to Moody's.



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