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**Testimony of Ronnie Lowenstein
To the New York City Council Committee on Finance
On Intro. 584 Requiring Monthly Reports on
The Collection and Use of Payments in Lieu of Taxes**

March 22, 2005

Good morning and thank you for the opportunity to speak at this hearing. During last month's City Council hearing on the proposed financing for the New York Sports and Convention Center, I raised concerns about by-passing the Council's role in appropriating city funds under the Bloomberg Administration's plan to divert payments in lieu of taxes (PILOTs) to cover the city's share of debt service for the project. Intro 584 would help to address this issue.

Appropriating public funds is a core function of the City Council and of legislatures at every level of government. But the City Council cannot appropriate public funds that are not included in the budget. As a result, the legislature's traditional role in setting budgetary priorities is undermined.

In addition to raising concerns about the Council's role in appropriating funds, the Bloomberg Administration's plan to divert PILOTs highlights serious issues of budget transparency and accountability. The total PILOT payments received by the Industrial Development Agency (IDA) are not reported anywhere. As a result, we don't know the level of PILOT payments that would be subject to appropriation under Intro. 584. While the City Comptroller's audit will shed much-needed light on this issue, information on total PILOT payments should be as easily accessible as the rest of the city's budget.

While we don't know the annual level of PILOT payments that flow to IDA, we *do* know that the city's Financial Plan currently projects that roughly \$40 million in IDA revenue from PILOTs will be transferred to the city's general fund each year through 2009. IBO's analysis of the Economic Development Corporation's Local Law 69 (LL69) report suggests that in recent years considerably more than \$40 million in PILOT revenue has been received annually by IDA, although the limitations of the LL69 report make it difficult to measure exactly how much more.

While the funds remain in the hands of IDA and its designated trustees, it is essentially left to the Mayor to determine how these funds are spent. This arrangement was established in a memorandum of understanding entered into by IDA, EDC, the Department of Finance, and the Mayor's Office of Management and Budget in 1992. It is a process that is not public and—even for those of us in government—difficult to decipher. This lack of transparency and accountability in the use of IDA PILOT money undermines public trust in the city's budget process.

A final key issue is oversight. The City Council and IBO are unable to carry out our oversight functions effectively if there is nothing to see. The reporting requirements contained in Intro. 584 would reinforce the ability of the Council, IBO, and others to oversee of the spending of PILOTs.