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## Ratings Firms Warn Albany Over Tax Extenders.

***Lawmakers fail to approve routine measure tied to legislation over mayoral control of New York City***

Albany lawmakers failed to approve a series of tax extenders tied to an elusive agreement over mayoral control of public schools, leading to stern warnings from the three major credit-ratings firms.

Fitch Ratings, S&P Global Ratings and Moody's Investors Service said Albany lawmakers had failed to approve a routine measure allowing New York City to levy personal income taxes, a critical source of revenue. That tax extender went unapproved when lawmakers linked it to deadlocked legislation extending mayoral control of New York City schools.

The legislature also failed to pass measures affecting tax revenues in 53 counties and three other cities outside New York City.

New York Gov. Andrew Cuomo has summoned Albany lawmakers back to session to reach a deal on mayoral control. The ratings firms said they expected the tax extenders would eventually be approved before they were allowed to sunset in November and December. But they said any lapse of the extenders could have a severe impact on local governments.

If the measure allowing New York City to levy personal income tax isn't approved by Dec. 31, when it expires, the city could lose $2.9 billion in personal income tax revenue, Fitch said, leading to an immediate budget gap. Moody's said Tuesday the city's personal income tax revenue would decline by more than 60%.

Fitch said a lapse could also ultimately affect credit ratings for New York City municipal bonds, and those of several other cities across the state secured by personal income taxes.

"Fitch expects the extensions to ultimately be extended before they expire, but Fitch will take any rating actions it deems appropriate if this expectation is not met," the ratings firm said June 23.

On Tuesday, S&P said it estimated revenues for the Transitional Finance Authority, which funds the city's capital projects, could decrease by 15% in fiscal year 2018 if the tax extender is allowed to lapse. Fiscal year 2018 begins July 1 and ends June 30 of next year.

Maria Doulis, a vice president of the Citizens Budget Commission, a nonpartisan watchdog group, said it was unfathomable Mr. Cuomo and lawmakers would allow the series of tax extenders to lapse.

"The personal income tax is so essential to New York City and to funding its operations that there is no way this won't be renewed," Ms. Doulis said. "We're not terribly worried about it. We think it will be in whatever deal they come up with on mayoral control."

But Dick Dadey, executive director of the Citizens Union, a good-government group, said it was "extraordinarily irresponsible" for Albany lawmakers to use local taxing authority to gain political

leverage.

“It’s these kind of shenanigans the legislature and governor are able to participate in that puts the health at the state’s economy at risk,” Mr. Dadey said. “It just shows how brazen our elected officials have become in thinking they can play with taxpayer dollars.”

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