

# **Bond Case Briefs**

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## **Cuomo Ethics Vow Threatens Streak of Timely Budgets: Muni Credit.**

(Bloomberg) — The streak of on-time New York budgets that bolstered the state's standing on Wall Street may be at risk as Governor Andrew Cuomo pushes lawmakers to disclose outside income amid an ethics fight.

Cuomo said during a speech in Manhattan Monday that he won't sign a spending plan and will shut down the government if the budget doesn't include a slate of ethics proposals. He said he expects the demands will meet resistance from lawmakers, after he delivered four timely budgets, the first time that's happened since 1977.

The budget he proposed Jan. 21 would spend a surplus from legal settlements with financial firms, lower New York's debt load for the third consecutive year, set a record for the rainy-day fund and put aside money for a disputed Medicaid bill. The state's fiscal gains have won it breathing room from investors, even if the spending plan misses an April 1 deadline, said Howard Cure, head of municipal research at Evercore Wealth Management, which oversees \$5.7 billion.

"It wouldn't be late because of real economic issues or problems balancing the budget," said Cure, who's based in New York. "It's leverage to achieve something."

### **Ratings Climb**

In his first four years, Cuomo, a 57-year-old Democrat, closed more than \$12 billion in budget gaps. The budget he's proposing now would be the first of his second term, which started Jan. 1. The combination of timeliness and balanced spending helped New York win its highest rating from Standard & Poor's since 1972.

Cuomo's threat comes at a critical juncture for the governor. On Jan. 22, Sheldon Silver, who ruled the Assembly for 21 years as speaker, was arrested on federal corruption charges. He resigned from the post Monday.

Manhattan U.S. Attorney Preet Bharara said the arrest is evidence that Albany's culture of secrecy and lack of accountability inspires a "caldron of corruption." Newspaper editorial boards, including the New York Times, said Cuomo must do more to lead the state out of its ethical morass.

As Cuomo pointed out in his State of the State address, the timely budgets were achieved with the same triumvirate — Cuomo, Republican Senate Majority Leader Dean Skelos and Silver — negotiating the deals.

"We still believe we can pass the enacted budget on time," Skelos said in a statement e-mailed Monday.

### **Cost Cut**

The fiscal gains under the three leaders helped reduce borrowing costs. The extra yield that

investors demand to own New York obligations instead of benchmark munis has dropped below 0.1 percentage point on 10-year maturities, from about 0.4 percentage point in January 2013, data compiled by Bloomberg show.

Silver is accused of running two separate kickback schemes for 15 years, netting as much as \$6 million. He says he'll be exonerated. Bronx Assemblyman Carl Heastie was elected on Tuesday to replace him.

The case shows why lawmakers need to provide the public more information on salaries from outside jobs, Cuomo said Monday. His proposal would require them to go beyond the existing disclosure of how much they earn to include how they make it, even if they're lawyers whose clients would otherwise be protected.

### **Amendment Plan**

He's also recommending a constitutional amendment to require state officials convicted of public corruption to forfeit pensions, public financing of election campaigns and stronger rules on donor disclosure.

"It's more important to me to prove that we have corrected the problem, that we have restored the trust, than just check a box that we got a budget done on-time," Cuomo said. "I will not sign a budget that does not have an ethics plan as outlined in my proposal."

The budget would spend \$5 billion from legal settlements on infrastructure and upstate economic development, and set aside \$850 million to pay a Medicaid bill that Cuomo is fighting. The federal government says New York overcharged the health-care program for the poor before Cuomo was in office.

It also splits a \$525 million operating surplus, with \$315 million directed to a rainy-day fund, raising it to a record \$1.8 billion by the end of the fiscal year on March 31, according to budget documents.

### **Bond Load**

The remaining \$210 million would go toward paying debt service due next fiscal year, helping lower the state's bond load for three consecutive years, the first time that's happened in at least 70 years, according to budget documents and Morris Peters, a spokesman for the budget division.

In July, S&P raised the state to AA+, the second-highest level, citing strengthening finances and timely budgets. The company is reviewing Cuomo's budget proposal and will look to see how it spends one-time revenue, such as the settlement funds, Robin Prunty, an S&P analyst in New York, said Jan. 30.

"A big driver in the upgrade was structural budget alignment, aligning recurring revenues to recurring expenditures," Prunty said. "We'll be watching to see if that continues."

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