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Nathalie Alegre  
ALIGN: The Alliance for a Greater New York

**Testimony to the Senate Finance and Assembly Ways and Means Committees  
Budget Hearing on Economic Development**

January 31, 2012

Good morning Sen. DeFrancisco, Assemblyman Farrell, and members of the Senate Finance and Assembly Ways and Means Committees. Thank you for allowing me the opportunity to comment on the Governor's proposed 2012-2013 Executive Budget as it relates to economic development. My name is Nathalie Alegre and I am with ALIGN: The Alliance for a Greater New York. ALIGN is an alliance-building organization that brings together labor and community-based organizations in order to create good jobs, vibrant communities, and an accountable democracy for all New Yorkers. For the last several years, ALIGN has co-anchored the statewide Getting Our Money's Worth coalition, a broad-based coalition that advocates for comprehensive reform of our largest economic development initiative—Industrial Development Agencies—and other programs.

Last year, members of our coalition actively participated in the Regional Economic Development Councils process all across the state. In July 2011, we issued a report titled "Seizing the Moment: How Regional Economic Development Councils Can Build a Good Jobs Economy." The report called on Regional Councils to make economic development subsidy allocations more outcome-oriented and recommended the adoption of baseline criteria rooted in performance standards like job quality and environmental sustainability, and on the principles of accountability and transparency.

**We are happy that the Regional Councils have advanced more coordinated and sustainable economic development practices and projects.** For example, many regional strategic plans present community revitalization and efficient infrastructure investment through smart growth as key components of their regional vision. Many plans also include job quality and the targeting of disadvantaged residents as part of project selection criteria. We believe that these are good first steps to rebuilding a battered economy. We look forward to continuing to work with Regional Council members to build on these successes with the second round of funding proposed in the Executive Budget.

**Unfortunately, the state's larger economic development efforts continue to suffer from systemic challenges.** Industrial Development Agencies offer an instructive example. IDAs provide financial assistance to businesses in the form of local and state tax exemptions and tax-exempt bond financing, often in return for creating or retaining jobs. In contrast to the more recent Excelsior Jobs Program, which doesn't grant tax benefits until firms have reached job creation goals, IDAs have few mechanisms in place to hold corporations accountable to their initial promises. A recent analysis based on 2009 IDA data released by the New York State Comptroller concluded that more than one half of all IDA-subsidized projects that ended in 2009 failed to create a single job. Although not part of the budget processes, 115 IDAs around the state were responsible for nearly half a billion dollars in forgone tax revenues in 2009 alone.

The proliferation of IDAs points to another significant problem. **A sprawling web of state and local, public and quasi-public entities and programs regularly award public subsidies to**

**private corporations to promote economic activity across New York State, with very little accounting of the total costs and benefits of these expenditures, and little in the way of coordination.** The Fiscal Policy Institute has estimated that business tax expenditures in the name of economic development cost state and local governments over \$8 billion a year in off-budget foregone tax revenue. In another estimate, the Citizens Budget Commission puts annual lost tax revenue, power subsidies, and direct spending at \$6.6 billion.

**As New York moves forward, any meaningful discussion of budget costs and revenues must incorporate an analysis of job creation subsidies, with an eye toward bringing backdoor spending into the sunlight and reforming programs that are not performing well.**

To this end, we call on you to work with your colleagues in the Senate and the Assembly to insert provisions in this year's budget to:

- Adopt a **Unified Economic Development Budget** that provides a comprehensive inventory of all "front door" and "back door" line-item spending for economic development and thus reflects true costs for review by state and county legislators during the budget process, and mandating public disclosure of subsidy deal performance metrics in a searchable website. Many other states like Illinois and Texas already have these mechanisms in place.
- Require all IDAs and other local economic development entities have a **"Money-Back Guarantee"** clawback policy so that communities are able to recapture misspent subsidy money when businesses fail to live up to their agreements. A recent national study ranked New York 45<sup>th</sup> in the country because we have some of the weakest money-back guarantee provisions in the nation.
- Increase funding to the **Authorities Budget Office**, which has oversight and enforcement powers over economic development public authorities, to ensure IDAs and other bodies are following the rules and using scarce public resources appropriately.
- **Untangle the confusing and redundant web** of Industrial Development Agencies, local economic development entities, and other economic development programs.

Implementing these accountability and transparency fixes will go a long way to ensuring that only companies that give New Yorkers a return on their investment – in the form of good jobs to local residents and healthy, thriving communities – are lifted up. Better following how New York's economic development programs spend taxpayer money will ensure that state and local governments have enough information and collective resources to pay for education, healthcare, and other important public services we all depend on.

We hope you take these recommendations into consideration. We look forward to working together with state legislators and the Governor's office to incorporate job and environmental standards, accountability, and transparency into New York's economic development efforts. Thank you for hearing our testimony today to make sure New Yorkers get their money's worth from their economic development dollars.

Sincerely,

Nathalie Alegre  
ALIGN: The Alliance for a Greater New York  
50 Broadway, 29<sup>th</sup> Floor  
New York, NY 10004  
(212) 631-0886