



Unshackle Upstate

Joint Legislative Public Hearing on the Executive Budget

Economic Development

February 12, 2013

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Thank you for the opportunity to present this written testimony to the Joint Legislative fiscal committees regarding the economic development provisions of the Governor's 2013-14 Executive Budget proposal.

Unshackle Upstate is a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition made up of business and trade organizations from all parts of Upstate New York.

As an organization, our purpose is to achieve reforms in Albany that make Upstate New York a better place to do business. To this end, our priorities remain the same as they have since we were founded in 2006:

- 1. Reducing State and Local Government Spending**
- 2. Reducing Taxes, Fees and Assessments**
- 3. Reducing Mandates on Businesses and Unfunded Mandates on Local Governments and School Districts**
- 4. Reducing the State's Reliance on Borrowing**

We urge Gov. Cuomo and the Legislature to build on the successes of the previous two years as you construct the 2013-14 state budget.

Regional Economic Development Councils

In his first budget presentation, Gov. Cuomo announced that he intended to establish ten Regional Economic Development Councils (REDCs) to develop long-term strategic plans for the economic growth of their respective regions. This year's budget proposal includes a third round of REDC funding "to support community revitalization and business growth consistent with the Consolidated Funding Application process." The funding includes:

- \$150 million in flexible new economic development capital funding – appropriated to ESD to fund regional priority projects;
- \$70 million in State tax credits – set aside from the Excelsior Jobs tax credit program to fund regional priority projects.

Since our inception, Unshackle Upstate has called on state government to "allow Upstate to be Upstate" – that is, to not force upstate communities to play by a set of rules that are better suited to the downstate region.

Regional collaboration, supported by a sustained state commitment, will result in workable regional solutions that create jobs and promote economic growth. We are pleased that New York State continues on this path, in which public and private stakeholders in each region of the state have come together to identify their local needs and establish a plan for meeting such needs.

Innovation Hot Spots

Unshackle Upstate supports the \$1.25 million initiative to "create or designate ten high-tech innovation incubators at locations affiliated with higher education institutions to encourage private-sector growth." This program will be integrated with the REDC process, as each REDC will designate an existing or newly created incubator for their region.

Five winners will be designated in each of the next two years to receive benefits and support. Designated Innovation Hot Spots will become tax-free zones where start-ups and other businesses tied to the incubator will be exempt from business and sales taxes for a five-year period.

Taste-NY

We support Gov. Cuomo's \$2 million initiative in the budget to implement Taste-NY, "which will promote locally grown or produced food products, beer, wine and spirits or other New York-made goods." This proposal will include increased marketing and branding of specific products and will establish "Taste-NY"-branded retail stores, carts, and vending machines to sell predominantly New York State products free of sales tax to the consumer. Unshackle Upstate is hopeful that this program will provide a boon to many of these producers who are located in Upstate New York.

Western New York Programs

The Executive Budget provides an additional \$100 million in funding as part of the 10 year, \$1 billion to improve Buffalo's regional economy. This includes:

- \$75 million in new capital funding
- \$25 million in tax credits from the enhanced Excelsior Jobs Program

While we support Gov. Cuomo's commitment to Upstate New York's largest metro area, Unshackle Upstate continue to urge the Governor and Legislature to consider supporting similar initiatives to assist other economically challenged Upstate cities such as Rochester, Syracuse, Binghamton and Plattsburg.

NYSUNY2020

Unshackle Upstate has long supported the integration between local colleges and universities and economic development programs. The proposed budget includes \$25 million for a third round of NYSUNY2020 grants. We are pleased that the Governor is continuing his commitment to our first-class higher educational system.

Design-Build & Design-Build-Finance

The Governor proposes to permit state agencies and authorities to use design-build contracts and design-build-finance contracts as alternative project delivery methods for infrastructure improvements on disaster recovery projects.

Unshackle Upstate has continually supported the use of the design-build approach, a project delivery method in which one entity works under a single contract with the project owner to provide design and construction services. To that end, we were a vocal proponent of New York's Infrastructure Investment Act of 2011, which allowed for design-build projects for a select group of state agencies and authorities.

The design-build process results in higher quality projects completed at lower cost to the taxpayer. We support their use in more state projects.

Unemployment Insurance Reform – A.3007/S.2607 (ELFA, Part O)

Unshackle Upstate has been a prominent advocate for reform of the state's Unemployment Insurance (UI) program. New York's businesses have recently been required to pay onerous annual "assessments" to cover interest costs on the state's outstanding debt in order to keep the program operational. The Governor's proposed budget makes significant changes to address the fund, which currently has a \$3.5 billion deficit.

The proposed reforms will eliminate the current UI program deficit, decrease costs to employers, increase claimant benefits, relieve businesses of uncertainty, and result in a solvent UI Trust Fund in 2016 – while also adding financial and anti-fraud safeguards.

Workers Compensation Reform

The Executive Budget proposes to reform the Workers' Compensation system in a number of ways that will be beneficial for the state's business community. Unshackle Upstate has been a partner with New York State in prior efforts to reform this program.

Specifically, Gov. Cuomo proposes to simplify the assessment process on employers by allowing carriers to charge customers directly for the exact amount owed to the Board. Moreover, the budget proposes to close the reopened case fund to any new claims, which the Executive claims "would save New York businesses hundreds of millions of dollars in assessments per year."

New York State needs a Workers' Compensation system that is reliable and affordable and meets the needs of injured workers. To that end, we support these proposed reforms.

Marcellus Shale

Unshackle Upstate believes that the development of the Marcellus Shale gas deposit can be done safely, and that New York State must be prepared to take full advantage of this tremendous economic opportunity.

While Pennsylvania, West Virginia, Ohio and other states continue to tap the Marcellus Shale for its rich natural gas reserves, New York continues to miss this important economic opportunity.

New York's Southern Tier is suffering economically. But if the state permits natural gas development to go forward, the Southern Tier can once again be home to well-paying jobs that will result in a strong and stable economy for the region's residents. Our new opportunity — vast natural gas reserves in the Marcellus Shale — literally lies beneath our feet.

The DEC should continue its science-based, comprehensive review of the potential environmental impacts of natural gas development in a timely manner, with regulations that strike an appropriate balance between economic development and environmental protection. Further delay in developing the Marcellus Shale is not acceptable. New York must finalize the rules so that wells can be drilled in New York.

Industrial Development Agency Restrictions

The Executive Budget includes legislation that would severely restrict the incentives that Industrial Development Agencies (IDAs) can provide, which will potentially result in the loss of

numerous economic development projects across New York State. Specifically, Gov. Cuomo proposes to:

- limit the type of eligible projects that IDAs could provide state sales tax incentives;
- include increased and unnecessary bureaucratic oversight, with necessary project approval from the local Regional Economic Development Council (REDC); and
- change the tax breaks that companies receive upfront to benefits that can only be received as a reimbursement following REDC approval.

Unshackle Upstate is concerned that this proposal will limit Upstate revitalization and economic development efforts, particularly in rural areas and distressed downtowns. Adding additional upfront costs to projects without a guarantee of state sales tax assistance will certainly be a deterrent for many.

Tying eligibility for state sales tax abatement to Excelsior Jobs tax credit eligibility also raises issues of concern. Rural areas especially will face tremendous challenges in meeting the “new net employment” requirement that is central to Excelsior eligibility.

While we have supported the Regional Economic Development program and continue to do so, we are also concerned about requiring the Regional Economic Development Councils to approve such projects. REDCs do not operate on any established schedule, and this may delay the decision-making process with respect to the ability of a local IDA to support particular projects.

Eliminating Regulations and Mandates on Businesses

We also urge you to recognize that in order to stimulate real economic development in Upstate communities, lawmakers must eliminate burdensome and unnecessary regulations and mandates on businesses.

We need to take steps to improve the business environment and promote job creation by reducing the cost of doing business.

This can be done by providing relief from existing mandates on businesses and avoiding imposing new mandates on businesses.

On behalf of Unshackle Upstate, thank you again for the opportunity to share with you our views regarding the Governor’s 2013-14 Executive budget proposal.