

STRONG ECONOMY = FOR ALL COALITION

**NEW YORK STATE LEGISLATURE
Senate Finance Committee
Assembly Ways & Means Committee**

Senator Liz Krueger, Chair
Assembly Member Helene Weinstein, Chair

**HEARINGS ON THE 2023-24 EXECUTIVE BUDGET PROPOSAL:
ECONOMIC DEVELOPMENT**

Testimony of
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Good afternoon Senator Krueger and Assembly Member Weinstein and members of the Committee. My name is Michael Kink, and I serve as the Executive Director of the Strong Economy for All Coalition. Thank you for the opportunity to present testimony today.

Strong Economy for All is a labor-community coalition working on issues of economic fairness, jobs, income inequality and effective government policies to promote broad prosperity.

We are made up of some of New York's most engaged and effective unions and community organizations, including SEIU Locals 1199 and 32BJ; the United Federation of Teachers, New York State United Teachers and the Professional Staff Congress of CUNY, NYSUT; the New York State Nurses Association, the Retail, Wholesale and Department Store Union and the Communication Workers of America; the New York City Central Labor Council, the Municipal Labor Committee; and community groups including the Coalition for the Homeless, Citizen Action of New York, Make the Road New York, New York Communities for Change and the Alliance for Quality Education.

New York State government has made a lot of progress in the last three years – huge new legislative packages have been passed into law on democracy and voting, on reproductive health care, on immigrant rights, on public health and on environmental justice.

The Legislature has done amazing, transformational work to make New York a real national progressive leader – and last year, you brought that energy and devotion to your constituents to budget and fiscal issues.

You recognized that short-term federal funding wasn't enough to move New York out of our triple crises of COVID, racial inequity and extreme inequality. You courageously implemented fair, progressive tax increases on wealthy New Yorkers and on big corporations to fund long-term investments in people and communities.

The Legislature has made so much progress in so many areas – and now it's time to transform our current "economic development" programs into something that will actually benefit all New Yorkers, rather than just a small number of wealthy and well-connected corporations.

We need to reform and reprogram “economic development” spending into programs and projects that advance the public good.

Coming back from COVID means addressing [extreme inequality](#) through public investments that will benefit regular New York families in their daily lives. And a strong economy for all means more than dollars and cents.

To achieve this goal and win these investments we must reprioritize, and revolutionize how New York State invests.

- The Legislature should **reform and reprogram** the \$10 billion-plus in current “economic development” spending and billions in new planned spending away from corporate subsidies and donor giveaways into investments in people and communities
- The Legislature should **reject** Governor Hochul’s plan to spend a half billion at ESDC and redirect it towards public goods and public investments.

The safest and most thriving neighborhoods across the state don’t have the most jails, or the most patrols, or the harshest laws. What they have are the most resources and investments for healthcare, childcare, and education, the most green spaces, and the best jobs.

We don’t need more [corruption](#) and [quid-pro-quo](#) development deals -- we need long-term investments in New Yorkers and our communities that deliver tangible benefits like higher wages, increased affordability, and family supports.

We don’t need the same constellation of [billionaires](#), [big corporations](#) and [lobbyists](#) that have turned “economic development” into a [ten-billion-dollar slush fund of public money](#) used to grow the fortunes of the ultra-rich -- we need lawmakers and Governor Hochul to step up and use public resources to benefit the public.

New York State is one of the most prolific users of so-called “economic development” incentives in the country, spending over \$10 billion annually at the state and local level on subsidies to select businesses. For all that, our state has very little to show other than empty factories, underwhelming job-creation numbers, and a slew of corruption scandals.

Instead of addressing these obvious problems, Governor Hochul has repeatedly moved to double spending at the Empire State Development Corporation – literally doubling down on failure.

It's time to try something new. But to truly reform the economic development system so that it focuses on people, communities, and local businesses, policymakers have to understand what went wrong.

Last year, we worked with partners to publish a report on “the dirtiest dozen” – [New York's worst economic development deals](#).

It's remarkable – New York has:

- Wasted over \$4 million dollars per job in a single deal – we literally could have paid each of the 68 workers hired four million dollars and have them set for life, but we gave the money away to a private corporation that hasn't made a profit in the decades it has been in existence;
- Spent nearly \$150 million on empty buildings and office parks with no job creation;
- Paid hundreds of millions of dollars for equipment later scrapped and sold by private businesses;
- Provided billions in taxpayer subsidies to pad the wealth of billionaires like Jeff Bezos, Stephen Ross and Steven Roth.

Our current so-called “economic development” programs have drawn criticism from the [left](#), [right](#) and [center](#) for ineffective spending and straight-out corruption.

State leaders, including both former Governor Andrew Cuomo and current Governor Kathy Hochul, have thrown money at private businesses in wild and wasteful ways. A data and call center in Lockport got a half-billion in subsidies amounting to [\\$2.4 million for every job](#) created. A money-losing start-up just got a quarter billion in subsidies to create 68 jobs in rural Genesee County – that's a ridiculous [\\$4 million per job](#).

And out-of-control economic development programs have been marked by a string of corruption convictions for fraud, bribery and misuse of public funds, from [Syracuse](#) to [Buffalo](#) to [Long Island](#).

Last year's extensive [State Senate hearings](#) demonstrated that officials at the relevant agencies still [don't have any clear standards](#) for awarding subsidies and don't keep track of returns on investment, if any. Beneficiaries of some subsidies claimed they were "successful" because they returned pennies on the dollar.

To deliver the economic opportunity that New Yorkers want and deserve, the Legislature must make sure that public resources actually work for the public. If this year's budget simply delivers the same kind of insider deals that dominated the Cuomo era, it will amount to an epic failure and a clear signal that while Cuomo is gone, Cuomo-style corruption remains.

Governor Hochul's budget proposal continues to prioritize corporate giveaways, and looks to balance the budget on the backs of working New Yorkers while failing to invest in the services and programs that keep all New Yorkers safe and thriving.

New York's wealthiest profit from our work, our communities, and our public infrastructure - as a result of our backwards tax system, they are able to avoid paying what they owe. We need to restructure our tax system so that a middle-class family isn't paying the same rates as a millionaire, and so "economic development" grants don't defund schools and services to pad the profits of huge private businesses.

That's why we're calling on our State legislators to do the right thing and ensure that ultra-wealthy New Yorkers and wealthy corporations pay back into the system they profit from. We deserve a budget that uplifts and prioritizes middle, working-class, and low-income New Yorkers.

Real reform will take time -- but there's a few places to start, this year:

REFORM AND REPROGRAM ALL "ECONOMIC DEVELOPMENT" SPENDING

- Re-evaluate and re-program the [ten billion dollars](#) currently spent on burned-out "economic development" programs that consistently over-promise and

under-deliver and invest it directly where we know it's most needed, into people and communities.

- Investing in childcare, higher education, mixed-income affordable and homeless housing, health care and climate justice will pay off now by making New York more affordable, creating tens of thousands of good-paying union jobs, and in the future with expanded economic opportunities and cost savings.

STOP TAX CREDITS

- No More Business Tax Credits: Business tax credits generally don't work to boost the economy, invite corruption, and rob the state of revenue – impose a 90-day sunset on all current tax breaks in this year's budget.

STOP IDA GIVEAWAYS

- No More Tax Breaks: Eliminate the ability of IDAs and other economic development projects to give property tax, sales tax, and mortgage recording tax breaks to businesses in this year's budget.
- Pass legislation to block IDAs that defund schools & subsidize warehousing: Legislation carried by the chairs of the economic development committees and the chair of the Black, Puerto Rican, Hispanic & Asian caucus would eliminate IDA grants that defund public education or subsidize wildly profitable companies like Amazon – they should be passed by both houses and signed into law.

STOP DIRECT GRANTS TO PRIVATE COMPANIES

- No More Grants: The state should not grant money to businesses as part of economic development initiatives. Where state financial support is necessary, we can do it with loans and tax-exempt bond financing.
- End wasteful subsidies to billionaire developers for luxury housing, and don't renew the [421-a](#) program that ended last year.

START INVESTING IN PEOPLE AND COMMUNITIES

- Investing in early childhood education & child care provides some of the highest returns of any investment states can make.
- Nationally and in New York there remains a massive worker shortage. By investing childcare we would enable thousands of parents to re-enter the workforce.
- New York continues to suffer from a worsening housing affordability crisis. New York can create thousands of jobs and create thousands of affordable homes by keeping 421-A scrapped and investing in a truly affordable and effective housing program.
- By investing in higher education, New York would make itself more attractive to businesses looking to grow and entrepreneurs looking to start new businesses

VOID ALL DEALS WITHOUT CLAWBACKS

- Apply clawback and public transparency requirements to all existing state and local “economic development” -- New Yorkers deserve an ironclad money-back guarantee on job-creation promises.
- Any contract or subsidy agreement that doesn't require performance is void against public policy and law, and no subdivision of government has the legal authority to just give cash to companies for nothing.

VOID ALL DEALS WITH NON-DISCLOSURE AGREEMENTS

- Apply full public disclosure requirements to all existing state and local subsidy deals – no subdivision of government has the power to enter into secret dealings, and any attempt to do so is void against public policy and law.

- Bar any “economic development” grants to campaign contributors, and require black-out periods for campaign contributions before and after applications for state grants.

END ALL STATE AND LOCAL SUBSIDIES FOR WAREHOUSE & LOGISTICS FACILITIES, INCLUDING AMAZON

- Good Jobs First, a national watchdog group, has [demonstrated](#) that Amazon’s siting decisions are entirely dependent on a corporate algorithm that calculates the geographic distribution of customers, delivery times and current and anticipated sales volumes – it has nothing to do with subsidies.
- Warehouse and logistics facilities are among the most [lucrative and in-demand](#) of all real estate developments, and they’re attracting large amounts of private capital. There’s absolutely no need for state or local governments to subsidize their building or operations – that should be outlawed.

END ALL STATE AND LOCAL TAX BREAKS THAT DEFUND LOCAL SCHOOL DISTRICTS

- Good Jobs First has also [demonstrated](#) how local and county tax breaks defund our public schools – local schools lose thousands of dollars per student to pay for ineffective, wasteful, fraudulent, corrupt and sometimes criminal giveaways to well-connected private businesses.

END ALL STATE AND LOCAL SUBSIDIES AND TAX BREAKS TO CAMPAIGN CONTRIBUTORS

- Whether it’s criminal corruption or the corruption of public ethics, the quid pro quo of donations for dollars is an outrage. There’s no way elected officials should be able to take campaign contributions and then direct public subsidies and tax breaks to their donors. It’s time to end wasteful tax breaks, corporate subsidies and real estate development favors to the well-connected.

This year, it’s time to make sure “economic development” funding gets used for long-term direct investments in people and communities -- that’s what creates real economic opportunity.