

# 4

---

## New York Works

**T**oo many New Yorkers today are unemployed or do not earn enough to make ends meet. Over the past decade, many regions of New York have experienced sustained job losses, especially Upstate. But New York's employment statistics since the beginning of the current recession are staggering. From April 2008 through December 2009, New York lost 352,700 private sector jobs, while unemployment hit a 26-year high of almost nine percent.<sup>135</sup> The so-called "underemployment" rate — counting people whose hours have been cut along with those working part time for lack of full-time positions — averaged 14.3 percent in 2009, meaning almost one out of every six New Yorkers was unemployed or underemployed.<sup>136</sup>



---

***From April 2008 through December 2009, New York lost 352,700 private sector jobs, while unemployment hit a 26-year high of almost nine percent.***

---

Every region of the State is suffering. Upstate continues to witness the crumbling of its manufacturing employment base, which has declined 32 percent over the past decade,<sup>137</sup> with an overall job loss of approximately 22 percent over the same period. Unemployment in New York City is even higher — 10.6 percent, with even higher unemployment rates in many parts of the City.<sup>138</sup> In New York City, communities of color are hit especially hard. Unemployment of African Americans and Hispanics exceeds 15 percent in many neighborhoods.<sup>139</sup>

In addition, many fear that we are

close to a tipping point in terms of population loss. Two million New Yorkers have left the State over the past decade.<sup>140</sup> New York leads the nation with net out-migration of 20 to 35 year olds, the most critical



---

***Two million New Yorkers have left the State over the past decade.***

---

demographic group for economic growth and community vitality.<sup>141</sup> Decisive action must be taken now to reverse this trend.

### **State Government Policies Have Contributed to our Economic Problems**

New York State government has failed to respond to these economic challenges, and, in some cases, has made things worse.

#### ***Our Economic Development Policies Are Wasteful, Fragmented and Ineffective***

The challenges businesses in New York face are compounded by an economic development bureaucracy and policies that are too often wasteful, fragmented and ineffective. New York State spends vast sums on economic development. The problem is taxpayers don't get enough bang for their buck because of the way economic development dollars are allocated.

The main levers of New York's economic development efforts have been the Empire Zone tax credit program, the Brownfields tax credit program, IDA-created tax exemptions and a substantial amount of economic development capital allocated through a

highly politicized process. It's estimated that by 2012-13, New York will spend almost \$2 billion annually on inefficient and untargeted tax credits, along with the debt service costs on legislatively directed capital programs. In addition, over the past decade, New York State has authorized nearly \$7 billion to support various discretionary and legislatively approved economic development capital programs and projects. These tax credit programs and capital grants are poorly targeted, inefficient in terms of job creation and (along with IDA tax exemptions) often pit one New York community against another in a zero sum competition for jobs that do not lift New York State as a whole, while expending scarce public resources in the process.

---



***It's estimated that by 2012-13, New York will spend almost \$2 billion annually on inefficient and untargeted tax credits, along with the debt service costs on legislatively directed capital programs.***

---

New York State has not adopted the best practices used in other states to compete for jobs.

Many of these other states offer more generous but more targeted tax and other financial incentives to businesses that agree to relocate there. For example, New Jersey offers targeted businesses a tax credit based on a percentage of the income tax withheld from employees holding new jobs in the state. Because the tax credits are only given to companies that otherwise would not have located in New Jersey, the program pays for itself.<sup>142</sup> New York can no longer sit on the sidelines while our neighbors and states in the South and West poach companies and jobs from us.

Despite the billions of dollars in economic development capital grants and hundreds of millions of dollars a year in other types of economic aid,<sup>143</sup> we have relatively little to show for our investment. Moreover, there is almost no transparency about whether these investments are paying off and therefore little accountability for results. One reason for this ineffectiveness is the balkanization of our economic development efforts across as many as 28 separate agencies<sup>144</sup> and hundreds of other public entities with economic development missions,

including over 600 local development corporations,<sup>145</sup> 115 local industrial development agencies,<sup>146</sup> 72 local Empire Zone boards,<sup>147</sup> 50 business improvement districts,<sup>148</sup> 49 urban renewal agencies and community development agencies<sup>149</sup> and 10 regional planning councils.<sup>150</sup> Moreover, within this multitude of agencies, departments and authorities are countless economic development incentives that fragment the process further.<sup>151</sup>

<b>Table 4. New York's Balkanized Economic Development System</b>	
Government Agencies	<b>28</b>
Industrial Development Agencies	<b>115</b>
Local Development Corporations	<b>618</b>
Empire Zones	<b>72</b>
Business Improvement Districts	<b>50</b>
Urban Renewal Agencies	<b>49</b>
Regional Planning Councils	<b>10</b>

### ***New York's High Business Costs Thwart Job Growth***

The Empire State was once an economic giant. We still are the home of many great companies and the center of vital industries such as financial services

and media. But New York is failing to keep pace with increased global and regional competition in large part due to the high cost of doing business here. Businesses in New York face the second highest tax burden in the nation,<sup>152</sup> the second highest “cost of doing business index”,<sup>153</sup> the second most negative business climate,<sup>154</sup> among the highest health insurance costs and the second highest energy rates in the nation.<sup>155</sup>

### ***New York’s Infrastructure is Obsolete***

Great infrastructure projects, from the Erie Canal to the New York State Thruway, have played a critical part in making New York an economic power. Our roadways, railways, telecommunications systems were once among the crown jewels of the State. Today, our infrastructure is becoming obsolete and increasingly unable to meet the needs of our economy.<sup>156</sup> Major projects from the Peace Bridge in Buffalo to the World Trade Center in Manhattan are stalled. New York’s infrastructure, like much of the nation, lags behind our competitors in Europe and Asia.<sup>157</sup>



***New York's infrastructure, like much of the nation, lags behind our competitors in Europe and Asia.***

---

Pieces of the Lake Champlain Bridge—once an important connection between New York and Vermont—are floating in the waters below. The Tappan Zee Bridge is almost a decade past its useful life. The MTA system — the largest network of mass transit connections in the world — is teetering on the edge of financial collapse. Our aging air traffic control system causes the worst delays in the country, costing the region \$2.6 billion every year in lost economic activity. High speed rail is still only something we read about in China and Europe. Our energy infrastructure is outdated, costly and inefficient. And a small businessman in South Korea can still access the Internet ten times faster at half the price than a businessman in the Southern Tier.

## **We Must Make New York the Jobs Capital of the Country by Replacing Ineffective Tax Credit Programs with Targeted Programs**

Getting New Yorkers back to work and building the foundation for a strong and growing economy will be an unrelenting focus of a Cuomo Administration. The problem of high unemployment will be immediately addressed by enacting an emergency tax credit for hiring unemployed New Yorkers, while developing a coherent and focused long-term economic development strategy that addresses the wide range of challenges and opportunities businesses face in New York.

In a time of fiscal crisis, New York cannot afford the wasteful, fragmented and ineffective approach to economic development and job creation we have been pursuing. This must be replaced with targeted programs with real accountability for results.

### ***A New "Jobs Now" Tax Credit for the Unemployed***

While a long-term strategy for economic development is necessary, we cannot ignore the

painful fact that almost one out of every six New Yorkers is either unemployed or underemployed. Therefore, a Cuomo Administration will work with the Legislature to enact an emergency two year \$300 million “Jobs Now” tax credit program to encourage employers to hire unemployed New Yorkers. Any business that increases its employment by hiring for a full-time job a New York resident who has been unemployed for at least sixty days and keeps that person employed in the job for at least one year will receive a refundable credit equal to the employer portion of the payroll tax for that worker up to a maximum credit of \$3,000 per worker. Based on metrics developed by the Economic Policy Institute<sup>158</sup>, this “Jobs Now” tax credit would create over 165,000 jobs over two years.<sup>159</sup>

***Expand “Work Sharing” Programs to Reduce Lay-Offs***

Our first priority must be expanding the number of full-time and good paying jobs. But while we are waiting for the economy to recover, we should promote the use of the New York Department of Labor’s “Work Sharing” program to reduce layoffs

and enable companies to keep their skilled workforce intact. Under “work sharing” programs, participating companies reduce the hours and pay of some of their workers, but keep them employed—with benefits. The State Unemployment Insurance Fund then allows workers to receive some of the money that would otherwise be paid out in unemployment insurance benefits to compensate them for a portion of their lost earnings. We should expand and actively promote this program, which is a “win-win” that enables companies to keep their skilled workforce intact for when the economy recovers and keeps New Yorkers in good jobs with benefits instead of joining the ranks of the unemployed.

### ***Create “Move to NY” Jobs Incentives***

Two-thirds of the more than \$500 million in annual subsidies under the current Empire Zone tax credit program have gone to real estate development, utilities, retail and professional services firms — types of businesses that have done little to generate economic growth.<sup>160</sup> The first step in developing a new economic development strategy for New York is the long overdue elimination of this inefficient

program, which should be allowed to sunset in June 2010

A Cuomo Administration will replace the Empire Zones program with an aggressive program that will incentivize businesses to move into New York for the first time or expand existing operations by adding jobs. Under our “Strategic Jobs Incentives” program, selected businesses in key industries will be granted tax credits for creating new jobs. The program would work as follows:

- Businesses will be eligible for a rebate of up to 80 percent of the amount of New York State personal income tax withheld on the qualifying additional jobs they create in the State for up to 10 years;
- In order to qualify, a business must sign an agreement with New York State under which the business commits to creating a specific number of jobs, and demonstrates that the tax credit incentive was a material factor in making its decision to relocate to or expand in New York; and,
- The net new jobs must last at least 10 years or the tax benefit will be clawed back by the State on a pro rata basis for each job that is promised but not created or maintained.

## ***Reform the Existing System for Legislatively Directed Capital Funding***

Since 1997, nearly \$3 billion has been authorized by the Legislature to support various discretionary programs, which are governed by “Memorandums of Understanding” with funding split three ways among the Executive branch (the only branch of government with an economic development infrastructure capable of effectively managing economic development decisions), the State Senate and the Assembly. Under this system, the State Assembly and the State Senate were *each* allocated \$873 million dollars to be dispensed at the direction of the leadership of each house. This system — in which legislative leaders control 60 percent of discretionary economic development capital — lacks transparency and accountability. More important, it has proven to be inefficient in creating good, high-paying jobs for New Yorkers and needs to be reformed.

## **Restructure New York’s Economic Development Strategy around a Regional Industry “Cluster” Approach**

New York must replace the current wasteful, fragmented and ineffective approach to economic development with a coherent long-term strategy based on a regional industry “cluster” approach.

### ***Consolidate Authority for Economic Development Programs in a Single Office Directly Reporting to the Governor***

As part of this new coordinated strategy, we must consolidate the efforts of fragmented economic development entities. All economic development programs will be coordinated by one office that is accountable directly to the governor. As Governor, Andrew Cuomo will not only be directly involved in implementing the State’s economic development initiatives, but also will ensure that projects are evaluated on an ongoing basis with critical benchmarks and performance assessments.

Almost 20 years of economic development research and experience point to refocusing the State’s efforts in strategically helping regional

industries or “clusters” to grow. Businesses in a cluster have similar interests, provide goods and services to each other, share a workforce, face comparable market pressures, and collaborate on projects. These regional business clusters tend to grow up around a common theme, such as a university, research institution, natural resource, or particular environmental conditions. Businesses grow exponentially faster when they form in clusters, sharing common resources and competing in common markets.

Illustrative of this dynamic is the explosive economic growth which occurred in recent years in Silicon Valley and Napa Valley, California. Look further back and that was the story of the Garment District in Manhattan and the steel industry in Buffalo. In 2025, a cluster approach will allow us to look back and say that this was the story of the Finger Lakes wine region, nanotechnology in the Hudson Valley, and the Downstate Biotech Corridor in Long Island and Manhattan that grew to global-class industries in the first quarter of the 21<sup>st</sup> century.<sup>161</sup>

The key elements of cluster-based strategy include: (a) forming or tapping industry or trade cluster associations to analyze competitive strengths, opportunities, and needs of the cluster; (b) crafting tailored, ground-level policies to address specific needs of cluster in order to “upgrade” each cluster to compete globally; and (c) search for nascent clusters to grow and support in the same way. The approach is bottom-up, and designed to use State government to unleash the untapped potential of emerging clusters.

This approach is powerful because economic growth would occur in a bottom-up fashion — focusing on regional strengths. As Secretary of the U.S. Department of Housing and Urban Development (“HUD”), Andrew Cuomo developed national expertise in using government to support the growth of private-sector industries through this type of bottom-up approach. At HUD, he worked to develop the Empowerment Zones program that used tax incentives and targeted federal grants and loan guarantees to spur economic growth in a particular region or neighborhood. Indeed, by the end of his

tenure as Secretary, HUD's economic development programs created or maintained hundreds of thousands of private-sector jobs across the country. A Cuomo Administration's economic development programs will do the same in New York.

***Create Regional Economic Councils to Coordinate the Cluster Approach***

In order for the "cluster" economy to work, it is necessary to reform the State's local governmental efforts to spur economic growth under the bottom-up regional model. Therefore, we must transform industrial development agencies ("IDAs") from agencies that too often use public funds to foster intra-state competition for jobs into important contributors to a cluster-based economic strategy. To do so, temporary regional councils will be established to analyze the most significant business clusters in their area. The councils will be required to include representatives from local governments and IDAs, businesses, labor, and other local organizations of significance to the future of each region. The State's economic development officials will also participate to chair and to assist the council's work. Each council

will have six months to assess the competitive needs and opportunities of each cluster, and to develop a strategic regional cluster plan for the State to implement.

### **Reduce New York's High Business Costs**

Businesses will not create jobs in New York if they do not believe that New York State government will rein in spending and hold the line on taxes. That is why the measures outlined earlier in the “Plan to Get Our Fiscal House In Order” to control State spending, veto State tax increases and cap local property taxes will be a critical part of our economic development strategy.

In addition to lowering the tax burden that businesses face, a Cuomo Administration will take steps to address many of the other sources of the high cost of doing business in New York. These measures include following through on Worker's Compensation reform to ensure that the more than \$1 billion in annual savings in Worker's Compensation premiums that New York businesses have realized from reform are maintained. We must make health insurance

more affordable, especially for small businesses, by restoring prior approval of health insurance premiums, capping broker commissions to reduce administrative expenses, and establishing a commission to review insurance mandates. We must also address high energy costs and enact and a permanent Power for Jobs program, so manufacturers have access to low cost power on a predictable basis.

### **Expand Access to Capital and Reducing Regulatory Barriers for Small and Medium Sized Businesses**

New York has more small businesses than any state except California,<sup>162</sup> representing over 98 percent of New York State's private employers and employing 55 percent of the private sector labor force.<sup>163</sup> Many of these small businesses are now struggling, in part because they have not received the capital that is the lifeblood of any business. From 2006 through 2009, the number of loans to small business in New York State declined 54 percent; for loans under \$100,000 the decline was approximately 63 percent.<sup>164</sup> Without access to credit, many small

businesses struggle to finance their daily operations, making it difficult for these businesses to survive.<sup>165</sup> The consequences are striking: small business bankruptcies are up 34.5 percent since 2008.<sup>166</sup>



***From 2006 through 2009, the number of loans to small business in New York State declined 54 percent...The consequences are striking: small business bankruptcies are up 34.5 percent since 2008.***

---

It is essential that we get capital flowing again to small and medium-sized businesses. In addition to using the Governor’s “bully pulpit” to encourage large financial institutions based in New York to increase lending to credit-worthy small and medium-sized businesses, a Cuomo Administration will pursue other direct programs to increase lending, including these:

***Expand the Linked Deposit Program and Create a New York Version of “CalCAP”***

A Cuomo Administration will expand an innovative but underutilized program known as the Linked Deposit Program by which New York State

assists small businesses with low-rate loans to modernize facilities and operations, access new markets, develop new products and improve overall competitiveness. Under the Linked Deposit Program, these loans are made possible by corresponding “linked” deposits made by New York State.<sup>167</sup>

Additionally, we will create a New York version of California’s “CalCAP” program, which encourages banks and other financial institutions to make loans to small businesses that fall just outside of most banks’ conventional underwriting standards.<sup>168</sup> CalCAP is a form of loan portfolio insurance which may provide coverage on certain loan defaults. The maximum loan amount is \$1.5 million and can be used to finance the acquisition of land, construction or renovation of buildings, the purchase of equipment, other capital projects and working capital. Any federal or state-chartered bank, savings association or credit union is eligible to participate in CalCAP.

### ***Create the New York Business Express***

To reduce regulatory burdens for small and medium sized businesses, we will implement, on a state-wide basis, a version of New York City's Business Express<sup>169</sup> project — an online, one-stop shop for required permits and documentation for all state agencies. The site will easily guide and help a person start a business in New York State; apply online for new licenses, permits, and certificates; obtain a customized list of typical State requirements for any business and use an 'Incentives Estimator' to obtain a customized list of incentives for which that business might be eligible. This program will allow a business to have easy access to the number of financial incentives in various State agencies. It will also offer a job creation hotline (by telephone, email and through an express website) through which small business owners can get answers about how to navigate the state bureaucracy and gain access to all available federal and State incentives.

## **Make Critical Transportation Infrastructure Investments for the 21<sup>st</sup> Century**

Even during the current fiscal emergency, we must continue to make long-term investments in our critical transportation infrastructure. But we also need to be honest about the funding challenges we face, and explore new ways to finance and build our major infrastructure projects.

### ***Develop a State Infrastructure Bank to Stretch Our Infrastructure Dollars***

Too much of our infrastructure spending today is misdirected because it is managed within competing silos of State government. In order to better coordinate our infrastructure efforts and stretch limited funds, we will create a State Infrastructure Bank to better coordinate spending and take advantage of federal programs that enable states to complement traditional transportation grant programs and provide states with flexibility to offer many types of financial assistance. The State Infrastructure Bank will enable the State to undertake projects that would otherwise go unfunded or experience substantial delays.

***Make High Speed Rail a Key Component of our Infrastructure Plans***

High Speed Rail is an example of the type of infrastructure investment that could be transformative for New York, with the potential to revitalize the Upstate economy with construction jobs now and permanent jobs created by the new high speed rail links to New York City, Toronto, and Montreal in the future. As Governor, Andrew Cuomo will upgrade our rail system at reasonable cost to enable a reliable service that averages 100 miles per hour between New York City and Albany (making this a reliable two hour trip) and then Albany to Buffalo and points in between. Furthermore, the federal government is now making a major financial investment in building a high speed rail system for the United States. The President recently announced the recipients of \$8 billion in stimulus grants as the first step in the development of a US high-speed rail network. However, New York received only \$151 million of the grants out of the \$561 million applied for, ostensibly because these projects were not “shovel ready”. A Cuomo Administration will ensure

that New York has done the work necessary to put itself in a position to win more of these critical federal grants.<sup>170</sup>

### ***Improve our Air Traffic Infrastructure***

As identified by the New York City Partnership and the Regional Plan Association, flight delays caused by air traffic congestion at the three New York City airports were responsible for more than \$2.6 billion in losses to the regional economy in 2008. The future of the region as a center of global commerce, finance and innovation requires an air transportation system that is efficient and universally accessible.

As Governor, Andrew Cuomo will institute a 21<sup>st</sup> Century transportation infrastructure policy that addresses this issue including next generation air traffic control systems, improvement of ground traffic management and expanding the use of Stewart International Airport in the Hudson Valley.<sup>171</sup>

## **Leverage New York's Higher Education Institutions to Create Jobs**

We must also leverage the economic potential of our institutions of higher education in ways that have been frequently discussed but infrequently implemented. The State's public education systems, SUNY and CUNY, have 730,000 students (440,000 in four-years schools and 330,000 in community colleges) and the State's more than 100 private colleges and universities with more than 520,000 students are among the largest employers and sources of economic activity in the State. The 70,000 foreign students in New York State by themselves add an estimated \$2 billion annually to New York's economy.



***SUNY and CUNY have 730,000 students (440,000 in four-years schools and 330,000 in community colleges) and the State's more than 100 private colleges and universities with more than 520,000 students are among the largest employers and sources of economic activity in the State.***

---

We must do more to promote Industry-University partnerships to turn more research into

new businesses and jobs. New York universities rank second nationally in total research spending, yet New York still lags other states in finding ways to commercialize that research. A wide range of policies that involve more a change of focus and priorities than money can be adopted to improve the State's technology transfer programs and similar efforts that will lead to commercializing the research being done in New York's colleges and universities. As part of this effort, to the extent possible given current budget constraints, New York should support programs that expand access to early-stage capital for the commercialization of advanced science and technology research. Another way New York can help to commercialize university developed technologies is to support new business incubators located on college campuses, such as the University of Buffalo's Center for Entrepreneurial Leadership that assists local businesses.

Moreover, encouraging graduates — whether originally from New York or out of state—to stay here is critical, and communities across the State have launched creative initiatives aimed at retaining the

brainpower of new college graduates. The use of internships or “co-op education” is one way to connect students to businesses in a way that may lead to full-time employment following graduation. As suggested by the Public Policy Institute of the New York State Business Council, one way to encourage these programs would be to amend the existing R&D Qualified Emerging Technology Company training tax credits to facilitate allowing small companies to recover up to \$4,000 for interns during each of the company’s first few years.<sup>172</sup>

### **Skilled Workforce Training Partnerships**

The State’s numerous workforce training initiatives should be focused on building the skills of employees for the types of jobs where employers need more workers, especially in targeted industry clusters of each region of the State. To help ensure that training focuses on skills and knowledge transferable directly to the workplace, a Cuomo Administration will align responsibility for workforce training with agencies that have the best understanding of the needs of both business and

labor, as New York City did by moving its workforce training to its Department of Small Business Services.

We also need to closely link our workforce training efforts with community colleges. A successful example that should be replicated throughout the State is the initiative of Hudson Valley Community College, which works with technology employers and educational institutions to prepare high school graduates and community college students for entry level jobs in the technology sector.

### **Clean Energy, Clean Jobs**

New York spends approximately \$65 billion annually on energy, of which 53 percent or close to \$35 billion leaves the State to pay for energy imports. The strategy of reducing energy costs and our dependence on out-of-state sources of energy provides many opportunities to create new jobs.



***New York spends approximately \$65 billion annually on energy, of which 53 percent or close to \$35 billion leaves the State to pay for energy imports.***

---

New York State already has ambitious goals to improve energy efficiency and increase the use of renewable fuels, but not nearly enough is being done to meet those goals. To make more rapid progress, the New York State Power Authority and the Long Island Power Authority must be made full partners in advancing energy related projects that will create jobs and grow the economy. Their efforts should include both major wind-power projects and making possible smaller “distributed generation” renewable energy projects by allowing net metering.

A Cuomo Administration will also take advantage of a budding solar energy industry in the State — from small companies like Solartech Renewables in the Town of Ulster that plans to create 100 new jobs there within the year and as many as 300 more over the next five years — to solar energy research backed by some of the State’s most prominent research universities.

One positive development we cannot allow to languish is the Green Jobs/Green New York Act that was signed into law in October 2009.<sup>173</sup> As Governor, Andrew Cuomo will strongly support this program,

which will create immediate jobs in weatherizing homes and commercial buildings, while allowing families and businesses to save money on their energy bills.

### **Support New York State's Farmers**

The farm economy generates over \$4.5 billion, annually.<sup>174</sup> As Governor, Andrew Cuomo will support our State's agricultural industries to maintain and strengthen their vital position in our economy. Our farmers now face a perfect storm of high costs and low prices. It is essential that we support farmers who are struggling to keep their land in agricultural production. As part of that effort, we must combat suburban sprawl and support farmland protection programs.

The growing trend in favor of locally grown and raised food presents a great opportunity for New York's farmers to find new markets. We must expand opportunities for local farmers to market and sell their produce directly to residents of New York City and other cities around the State, including through building a major wholesale 'farmers market' at Hunts

Point in the Bronx and pursue innovative ideas such as encouraging our colleges and universities to purchase more of their food from local producers.

New York's farmers must be able to share in the benefits of emerging technologies. Alternative energy sources—ranging from wind to biomass—can create new economic opportunities for farmers. Affordable access to broadband will help connect farmers and other rural residents to the world economy. And we must continue to invest in agriculture research and development at Cornell and elsewhere.

We must also fight for farmers at the federal level. As Governor, Andrew Cuomo will work to strengthen the Milk Income Loss Contract ("MILC") program, that is such an important safety net for New York dairy farmers, and push to further tighten restrictions on milk protein concentrate that food companies import into the United States for use in dairy products and which unfairly compete with New York dairy farmers. Moreover, New York should get its fair share of federal stimulus funds for expanded broadband Internet access, so that rural New Yorkers

get affordable access to this critical source of economic opportunity.