



Unshackle Upstate

Joint Legislative Public Hearing on the Executive Budget

Taxes/Economic Development

February 23, 2021

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

Our main purpose is to help enact necessary reforms in Albany that make Upstate New York a better place to live, raise a family and do business. Our main priorities remain the same since we were founded:

- 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**

While our mission and priorities have remained the same, advocating for Upstate New York has never been more important given the impact that COVID-19 has had on the lives and the livelihoods of Upstate New Yorkers. Prior to COVID-19, population loss and stagnant job growth already plagued Upstate New York as the economy just barely recovered from the job losses experienced by the Great Recession. The devastating impact of COVID-19 on the Upstate economy requires now more than ever that Albany urgently support pro-growth policies. Albany must invest in economic development and reduce taxes and fees, not raise them, so that we can grow the Upstate economy and strengthen our communities.

Therefore, Unshackle Upstate asks that the Executive and the Legislature consider the positions outlined below as they relate to the announced Executive Budget and ongoing New York State FY 2022 state budget deliberations.

Testimony Relating to the Executive Budget Proposals

Our specific concerns with individual elements of the proposed executive spending plan and items our partners support are detailed below, and while we support investments in infrastructure and transportation projects we oppose any mandate that they use project labor agreements. Moreover, we remain committed to the fair distribution of transportation dollars and believe that Upstate transportation funding should receive a 1 for 1 match for every dollar spent on the MTA.

Unshackle Upstate supports the following provisions in the proposed budget:

Enact the Pandemic Recovery and Restart Program

While Unshackle believes this legislation does not go far enough, we support measures that will assist small businesses that have been negatively impacted by COVID-19. However, we oppose Part C as currently drafted. Part C needs to be amended in order to include funding for Upstate musical and theatrical production companies.

Part A - Small Business Return-to-Work Tax Credit Program establishes a refundable tax credit available to small businesses (fewer than 100 employees) that have experienced year-to-year revenue or job losses of 40% or more, in qualifying industries (accommodations or arts, entertainment, and recreation). Businesses that increase their employment will be eligible for a tax credit of \$5,000 for each net full-time equivalent position added, up to a maximum cap of \$50,000 per business. The amount of credit under this program is capped at \$50 million and would be administered by the Department of Economic Development.

Part B - Restaurant Return-to-Work Tax Credit Program establishes a refundable tax credit available to small, independently owned restaurants located within New York City, or outside of New York City in areas that were designated as a red or orange zone for at least 30 days. The credit is only available to restaurants that have experienced year-to-year revenue and/or job losses of 40% or more, and restaurants that increase their employment will be eligible for a tax credit of \$5,000 for each net fulltime equivalent position added, up to a maximum cap of \$50,000 per business. Taxpayers receiving tax credit certificates prior to November 15, 2021 would have the option to request an advance payment of this credit from the Department of Taxation and Finance. The amount of credit under this program is capped at \$50 million and would be administered by the Department of Economic Development.

Economic Development and State Infrastructure Plan

Unshackle supports economic development and smart investments in infrastructure. However, we remain opposed to the use of project labor agreements for these projects and remain committed to matching dollar for dollar investment between upstate transportation projects and the MTA. We also support adequate funding for Consolidated Local Street and

Highway Improvement Program (CHIPS), Extreme Winter Recovery and other essential transportation and infrastructure programs.

Reimagine the Erie Canal

The Executive Budget proposes that the New York Power Authority Board, will invest \$300 million over the next five years to integrate the Empire State Trail and Erie Canal into a new “Empire Line” system that will stimulate tourism and economic development. In 2021, \$40 million will be invested in economic development and climate resilience and sustainability projects along the canal.

Olympic Regional Development Authority (ORDA) Capital Improvements

The Executive Budget includes \$105 million in new capital funding for ORDA, including \$92.5 million for a strategic upgrade and modernization plan to support improvements to the Olympic facilities and ski resorts. Funding of \$10 million is provided for critical maintenance and energy efficiency upgrades, and \$2.5 million appropriated from the Office of Parks, Recreation and Historic Preservation budget as part of the New York Works initiative.

Regional Economic Development Councils

The Executive Budget proposes capital and tax-credit funding that will be combined with existing agency programs for an eleventh round of REDC awards totaling \$750 million. The core funding includes \$225 million in grants and tax credits to fund high value regional priority projects. The Budget also makes \$525 million in resources from State agencies available to support community revitalization and business growth consistent with the existing Regional Council plans through the Consolidated Funding Application process.

- Unshackle Upstate supports the REDC model for economic development spending and opposes efforts to limit private sector participation in this important process, including but not limited to, requiring volunteer advisory members of REDC boards to disclose personal financial information.

New York Works Economic Development Fund

The Executive Budget proposes a sixth round of investment totaling \$220 million for the New York Works Economic Development Fund to provide additional statewide capital grants to support projects that facilitate the creation of new jobs or retain existing jobs, or fund infrastructure investments necessary to attract new businesses or expand existing businesses in support of economic recovery.

Downtown Revitalization

The Executive Budget proposes \$100 million for another round of the Downtown Revitalization Initiative to be disbursed in 10 different \$10 million dollar awards. Participating communities are nominated by the State’s 10 REDCs based on the downtown’s potential for transformation. Each winning community is awarded funding to develop a downtown strategic investment plan and implement key catalytic projects that advance the community’s vision for revitalization.

Investment in Tourism

The Executive Budget proposes a ninth round of \$15 million in competitive funding through the Market NY initiative to support tourism marketing plans and projects that best demonstrate regional collaboration among counties to promote regional attractions. The Governor's proposal supports over \$300 billion for a newly expanded, five-year infrastructure plan, which includes:

- \$190 billion for transportation, including mass transit, railroads, airports, highways, bridges, and tunnels across the State.
- \$33 billion for improving environmental facilities and parks, and the development of green energy.
- \$33 billion for economic and community development.
- \$14 billion to further the State's investment in the construction of high quality, affordable housing for the people of New York.
- \$19 billion to help school districts build new and better school buildings.
- \$17 billion to improve and maintain SUNY and CUNY buildings, State health care facilities, and other capital assets.

Enact Employer Child Care Credits

The Executive Budget expands the Excelsior Investment Tax Credit to include expenditures for child care services and creates an Excelsior Child Care Services Tax credit for net new child care services expenditures for "the operation, sponsorship or direct financial support" of a child care services program. Participants receiving the Excelsior Jobs Program credit are eligible for a 5% Excelsior Investment Tax Credit for the provision of child care, and a 6% Excelsior Child Care Services Tax Credit for ongoing net child care expenditures provided. The bill doubles the amount of the employer provided child care credit to 200% of the credit that is allowed and increases the per entity cap to \$500,000 per year.

Extend the Economic Transformation and Facility Redevelopment Program Tax Credit for Five Years

The Executive Budget proposes to extend the Economic Transformation and Facility Redevelopment Program tax credits for an additional five years (December 31, 2026). The tax credits are available for closed correctional and OCFS facilities selected by the Governor for closure by March 31, 2021 as well as any correctional facilities selected for closure through March 31, 2026.

Unshackle Upstate opposes the following provisions in the proposed budget:

New Taxes and Fees

New York State taxpayers are among the most burdened in the nation by any objective measure. Addressing the state's budget deficit by delaying tax cuts, imposing new taxes, fees, assessments and surcharges will continue to underpin New York's anti-business reputation, increase consumer prices and put our employers at a further economic disadvantage.

Unshackle continues to ask the Governor and Legislature to focus on lowering health care costs by reducing mandates and hidden taxes. Together the taxes and fees on private health insurance

total nearly \$5.6 billion. These costs are passed on in the form of premium increases. One way to lower the cost of insurance premiums is for the state to reduce the number or taxes and assessments on health care.

Increase the Interest Free Period for Certain Sales Tax Refunds Increase the Interest Free Period for Certain Sales Tax Refunds

The Executive Budget proposes to extend the Tax Department's time, from three months to six months, to process sales tax refund claims of \$100,000 or more before interest must be paid.

Enact Temporary PIT High-Income Surcharge

Unshackle believes that increasing the PIT on high income earners will result in high earners moving to more tax friendly states. Therefore, we believe the proposal to impose a temporary income tax surcharge on high-income taxpayers for 2021 through 2023 is likely to exacerbate the loss of high-income earners and have a negative impact on the budget in out years.

Delay Middle Class Tax Cut by One Year

Unshackle opposes the proposed pause of the phase-in of the middle-class personal income tax rate cuts for one year.

Increase Wage and Withholding Filing Penalty

The Executive Budget proposes to increase the maximum penalty imposed on employers for failure to provide complete and accurate wage reporting and withholding reports and increases the penalty calculation from \$50 per employee to \$100 per employee.

DMV Convenience Fee

Unshackle remains opposed to the growing use of user fees and the negative cumulative impact this has on New York State residents. The \$1 "convenience fee" on transactions of registration, reregistration or renewal of a registration of a motor vehicle, motorcycle, historic motorcycle, snowmobile or vessel and the issuance of any original, duplicate or renewal learner permit, driver license or non-driver identification card is an example of another small but completely unnecessary fee.

Consolidation of the Centers of Excellence into the Centers for Advanced Technology Program

The Governor's budget proposes to consolidate the Centers for Advanced Technology and Centers for Excellence thereby defeating the purpose of the complementary system the legislature has created. The proposal would require COEs to competitively bid to become CATs after a two year grace period. In effect, the Governor's proposal consolidates control of the programs within the Executive and, additionally, prevents the programs from working collaboratively.

Medical Supplies Act

Unshackle opposes the requirement that the purchase of personal protective equipment (PPE) and medical supplies in all State contracts over \$50,000 be produced or made in the United States. We could remove our opposition support this Act if Canada, New York's largest trading partner, is exempted from this Act.

Extend Prevailing Wage to Covered Renewable Energy Projects

The Executive Budget proposes wage requirements for covered renewable energy projects, defined as construction work and engineering and consulting services performed in connection with either the installation of a renewable energy system with a capacity over 25 megawatts alternating current and with a total project cost of over ten million dollars; or the installation of a solar energy system with a capacity over 5 megawatts alternating current and with a total project cost of over five million dollars.

MTA Utility Relocation

The Executive Budget proposes to add two new subdivisions to §1266 of the Public Authorities Law to require utility companies and the city of New York to relocate or reinforce pipes, mains, conduit, and other infrastructure for any project in connection with the improvement, construction, reconstruction or rehabilitation of a transportation facility or a transit facility. The required work has to be performed within specific timeframes as decided by the MTA in consultation with the utility. The cost of the work, including design costs, are required to be borne by the utility. Legislation like this was rejected by the Legislature in 2016. This legislation will add significant costs to utility companies who will then be forced to cut back on expanding and upgrading their existing infrastructure. This is nothing more than a cost shift which will permit the MTA to do the relocation work itself and bill the utilities for the cost. This bill creates a perverse incentive by encouraging inefficiency and unnecessary work.

Unshackle Upstate has concerns:

Broadband Service for Low-Income Consumers

While this is an important issue and Unshackle supports looking at broadband expansion, this would take limited resources away from new construction and add significant costs at a time when the State appears to be piling on broadband providers who would also be impacted by additional burdens like the MTA cost shift proposal. There may be significant money coming to states from the federal government for broadband expansion. Moreover, given that rate setting is a federal issue, it makes sense to wait for funding from Washington so that broadband providers can keep building access to affordable broadband.