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New York State Joint Legislative Budget Hearing on Economic Development

Testimony submitted by Ashley Ranslow, New York State Director, the National Federation of Independent Business (NFIB)

NFIB, New York's leading small business advocacy organization representing thousands of small, independent businesses across New York State, respectfully submits our support, opposition, and concerns to various provisions of the FY 2022-23 Executive Budget Proposal related to economic development.

NFIB is a member-driven organization representing close to 300,000 small businesses across this country and nearly 11,000 across New York State. NFIB members are the businesses that define our neighborhoods and strengthen our communities with character and value: local hardware stores, independent restaurants, florists, barbers, dry cleaners, convenience stores, farmers, roofers, landscapers, mechanics, and fitness and retail boutiques.

There are close to 500,000 small businesses with employees in New York. These businesses employ half the state's private-sector workforce, nearly 4 million New Yorkers, and their production accounts for nearly half of the state's GDP. A strong, vibrant small business eco-system supports local tax bases, governments, and schools. Sixty-seven cents of every dollar spent at a local small business is reinvested into the community. Small businesses are the engines that drive the state and local economy, and New York State economic development policies should start on the Main Streets and commercial corridors that generate local jobs, local revenues, and community stability.

New York's small businesses continue to battle unparalleled and unique challenges due to the pandemic and corresponding economic trials; however, small businesses have contended with a high tax and regulatory burden for years. In NFIB's 2020 Problems and Priorities report, New York small business owners ranked 75 potential business

problems, with the top ten problems relating to taxes, regulations, and the cost of insurance. New York's small business owners identified property taxes as the second most burdensome problem, followed by state business income taxes as the third most burdensome problem – both higher than the national average.¹ New York State is ranked as the 49th worst state on the Tax Foundation's *State Business Tax Climate Index*. Paying the highest income taxes, eighth highest sales taxes, and third highest property taxes². New York also imposes the 9th highest gas taxes³ and applies billions of dollars of taxes on private health insurance plans utilized by many small businesses⁴. To put it simply, running a business in New York State is extraordinarily and unnecessarily costly.

New York State's economic development strategy and initiatives should reflect this and should not single out certain industries, regions, or out-of-state businesses. For far too long New York State has used economic development spending to pick winners and losers. Moving forward, the State must ensure that the billions spent on economic development each year are benefitting local, independent businesses.

The Governor's FY 2022-23 Executive Budget proposal includes several economic development initiatives supported by NFIB, including TED Part CC, which creates the small business seed funding grant program. Economic development programs should be open and available to all small businesses, including businesses in their infancy trying to find a way to succeed in a state that is extremely difficult and costly to do business in. NFIB recognizes that new businesses formed just before the beginning of the COVID pandemic or during the pandemic were ineligible for federal aid programs and certainly would benefit from grant funding; however, any new program developed or implemented by ESD, or another agency, must be widely available and should not be narrow in scope or too restrictive. Unfortunately, we've seen what happens when there are too many strict program parameters – it's simply underutilized and unhelpful. This is what happened with New York State's COVID-19 Pandemic Small Business Recovery Grant Program. The \$800 million program was launched more than six months ago but still has nearly half of its funds available due to restrictive eligibility requirements with a majority of small businesses remaining ineligible for the program. When the Pandemic Small Business Recovery Grant Program was proposed in last year's budget, NFIB warned that the parameters would prevent many small businesses from utilizing the program due to restrictions related to access to federal aid. NFIB's comments and concerns were largely ignored, and now, the funding remains sitting in an account rather than in the hands of small business owners. As new programs are implemented,

¹ NFIB Research Center, 2020 Small Business Problems & Priorities, <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>

² Tax Foundation, 2022 State Business Tax Climate Index, <https://taxfoundation.org/2022-state-business-tax-climate-index/>.

³ Tax Foundation, "How High are Gas Taxes in Your State?", <https://taxfoundation.org/state-gas-tax-rates-2021/>.

⁴ [Hooked on HCRA: New York's 20-Year Health Tax Habit; Bill Hammond; The Empire Center](#)

New York State should remain mindful of how it structures, develops, and regulates economic development initiatives.

NFIB also supports the Governor's proposal to extend and enhance the Brownfield Cleanup Program (TED Parts U and Parts LL), which has proven to be a successful tool to revitalize environmentally challenged properties in communities, return parcels to the tax rolls, and revitalize neighborhoods across the state. NFIB supported this proposal to allow additional time to complete brownfields site development for projects unexpectedly delayed during the pandemic, and strongly supports the extension of the program until 2032; however, NFIB has serious concerns and strongly opposed the establishment of a \$50,000 application fee. There is currently no fee under the existing program, and this extraordinarily high fee would deter or prevent small businesses from applying for the program. With more than 190 sites remediated and redeveloped across the state, this is clearly a program that works and there should not be unnecessary and costly barriers adopted. The \$50,000 application fee must be eliminated.

As New York State pivots to economic recovery, the State must ensure that the billions spent on economic development each year are benefitting local, independent businesses, not powerful special interests or industries. NFIB strongly opposes the Governor's proposal to extend the Film Tax Credit for three years (REV Part M). The Film Tax Credit is an extremely expensive and wasteful program that has gone on far too long. The film production tax credit cost New York State \$465 million in 2020 alone – a massive amount of money that goes to Hollywood film production companies rather than small businesses right here in our neighborhoods. With the relatively good health and vitality of the film production and distribution industry and the negligible long-term economic impact of this program, the Film Tax Credit program should be suspended indefinitely, and its budget appropriation used to support small businesses.

With a new administration focused on rebuilding New York, this is the state's opportunity to revamp and reimagine its economic development strategy and programs that not only help small businesses rebuild from the devastation of the pandemic but to also thrive for years to come.

I sincerely appreciate the opportunity to submit testimony. Thank you for your time and attention.