



Testimony before the Joint Fiscal Committees SFY 2024-25 Executive Budget

Economic Development Hearing

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I thank the chairs and members of the respective committees for the opportunity to testify on the 2024-2025 New York State Executive Budget. New Yorkers for Fiscal Fairness is an advocacy organization, founded in 1996, to promote fair and equitable state budgets for all New Yorkers.

New York State and its local governments currently spend over \$10 billion annually on a broad array of economic development programs throughout the state. There are dozens of different programs that provide a myriad of benefits, from cash grants to tax exemptions, tax credits (including many that are refundable and therefore paid in cash), and tax-exempt bonds. The vast majority of these benefits go to big businesses in the name of job creation and economic growth, but the results are very far from clear.

It's time for New York to begin to redefine "economic development" as improving the quality of life for regular New Yorkers and challenge traditional tax abatement and corporate subsidy style economic stimulus. The state and local governments need to realize true economic development is about investments in public goods like early childhood education, childcare, K-12 and higher education, the public workforce, homecare and affordable housing.

Tax Incentives – A Failed Approach

The State is currently waiting on a comprehensive report to be released, approved in the previous budget, that will detail the efficacy of the myriad of tax subsidy programs currently being operated under the auspices of the Department of Tax and Finance and other state agencies. This report was commissioned because the state needs to determine if it's getting a good return on its investment for the billions in tax dollars we are doling out to big businesses in the name of job creation. Thus far, all of the academic research on these types of subsidies show they are costly and ineffective.

The state's heavy reliance on tax incentives as an economic development strategy is a misguided approach. After many decades, there is little to show beyond a trail of political scandals and failed deals. A detailed study of New York's business tax credits, prepared in 2013 by economists Donald Boyd and Marilyn Rubin for the Tax Reform Commission empaneled by Governor Cuomo, firmly stated that "there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained absent the

incentives.” The governor and the legislature should pay attention to the findings of this thorough analysis.

At the same time that job-creation results have been meager, political scandals have been in abundance, centering around bid rigging of state contracts, transparency and accountability— issues that have not been substantively addressed, despite repeated media coverage and more than a few indictments. Lack of accountability masks the failings of these development programs.

A report from the independent W.E. Upjohn Institute for Employment Research in Kalamazoo, Michigan, analyzed tax incentives for economic development during 2015 and concluded that New York’s were the most-expensive — and second-least effective — nationwide.

The state’s economic development landscape is littered with bad deals, empty buildings and hundreds of millions in equipment no one will use. This is the state gambling with our tax dollars. Here are a few examples:

- A [\\$90 million factory that taxpayers built for the Soraa LED lighting company](#), which walked away from the deal with no penalty. The state then committed \$15 million more so NexGen Power Systems, a semiconductor company, could retrofit and lease the plant, outside of Syracuse. They did lease the plant briefly and just recently [folded up shop and closed!](#)
- New York state has begun [selling off more than \\$200 million in manufacturing equipment](#) that it bought for planned Tesla and Panasonic solar manufacturing facilities in Buffalo.
- Amazon Warehouse – [Clay, NY \\$70 million](#). This is just the tip of the Amazon iceberg as they have received massive subsidies to locate warehouses across the state and are also taking full advantage of the 2017 federal tax law changes by siting their warehouses in [Opportunity Zones](#).
- PlugPower - [\\$4 million per job - \\$118 million in local tax breaks](#) is teetering on the brink of [bankruptcy and layoffs](#).
- The Central New York Film Hub outside Syracuse, which cost \$15 million to build but was [sold for just \\$1](#) — despite Governor Cuomo boasting in 2014, “Who would have ever figured: Hollywood comes to Onondaga, right?”

This year we should:

Place a Moratorium on Business Tax Credits Moving Forward

There are countless reports that examine the questionable efficacy of these tax abatements and credits. Not the least of which is the aforementioned report by the Tax Reform Commission. We need to begin the dawn of a new era in economic development. We need to make these programs more accountable and demand a return on investment that justifies the foregone tax revenues.

IDA’s Need to Stop Giving Away School District Revenue

Schools in New York State lost at least \$1.8 billion in FY 2021 to corporate tax abatements. That makes New York schools by far the biggest known dollar losers to abatements, more than three times second-place South Carolina.

This finding has only become possible thanks to a new government accounting rule that requires — for the first time ever — that most school districts, cities and counties disclose how much revenue they lose to such corporate tax breaks.

That was the main finding of a [recent analysis from Good Jobs First](#), a Washington-based non-profit group focusing on economic development tax policy. The new reporting rule is Governmental Accounting Standards Board (GASB) Statement 77 on Tax Abatement Disclosures.

Fix the Opportunity Zones Bill loophole: [S6800 \(Gianaris\)/A8081 \(Dinowitz\)](#), closes a loophole in the legislation passed in 2021 ending New York's tax break for federal Opportunity Zones. If it is not fixed, this loophole could cost New York billions within the next decade, with the benefits going to luxury real estate instead of the environment, infrastructure, or public schools. New York took a step forward in 2021 by eliminating the five-year tax break, saving more than \$90 million annually over the next several years. Under the program, investors can receive a tax reduction on their realized capital gains after five years. After ten years, investors are exempted from paying taxes on capital gains from their new investments. This ten-year exemption is what was omitted from the budget bill. If it is not fixed, this loophole could cost New York billions within the next decade, with the benefits going to luxury real estate instead of the environment, infrastructure, or public schools.

Support Economic Development programs that Work: Smaller scale programs like the **Innovations Hot Spots Program** (small business incubators that share services and work closely with universities) make more sense than traditional mega-deals. There are also long-overlooked and underfunded programs that have a successful track record such as the [Entrepreneurial Assistance Program \(EAP\)](#) and the **Community Development Financial Institutions (CDFI) fund**. These two programs have been in operation for decades and are designed to provide training and technical assistance to women and people of color who want to start their own business (EAP) and provide the capital needed to create these small enterprises (CDFIs).

Redefining Economic Development:

Rather than chasing smokestacks or throwing tax cuts at business, the state's economic development policy should be focused on smart investments that improve the local economic climate, with careful accounting of benefits to local communities. The goal must be overall economic growth, not the mere shifting of activity from one area or one state to another.

We must also accept the fact that what ultimately makes for the best business climate is investments in public schools and institutions of higher education, labor force development, childcare, homecare, transportation, parks, and other infrastructure that build a skilled labor force and attract business owners and workers based on quality of life. It is these fundamentals that

will make the biggest difference in whether or not New York State is an attractive place for employers to locate and employees to live. What we typically call “economic development” is in the end marginal to what makes New York an attractive place to do business.

Child Care IS Economic Development:

In numerous surveys, businesses in New York have continued to suggest that childcare is one of the most pressing problems they face when trying to retain and recruit employees. In a 2020 [survey of 80 businesses](#) across the seven-county north country region, childcare was identified as a top priority by employers. They indicated this was a pre-COVID issue impeding recruitment efforts and affecting employee attendance, and that it was only exacerbated by the pandemic.

Businesses are not screaming out for subsidies but rather access to childcare. We strongly suggest that childcare subsidies be dramatically enhanced and that wages paid to childcare workers be increased through state subsidies. As evidenced by the facts below, it is undeniable that investing in early childhood education and childcare services has an immense return on investment when compared to other economic development programs.

Unlike most traditional economic development programs, investments in high-quality early childhood education can generate **up to \$7.30 per dollar invested**. Access to stable, high-quality child care also helps parents **improve their labor productivity** by increasing work hours, missing fewer work days and pursuing further education.

Research demonstrates that the entire community benefits as well as from investments in early childhood education. In fact, the availability of early childhood education programs attracts homebuyers and **increases property values by \$13 for every dollar** invested in local programs and reduces grade retention and is shown to **save school systems money** for K-12 education. Participants in high-quality early childhood education also show **long-term gains** in the form of lower rates of incarceration (46% reduction), lower rates of arrest for violent crimes (33% reduction) and a reduced likelihood of receiving government assistance (26% reduction).

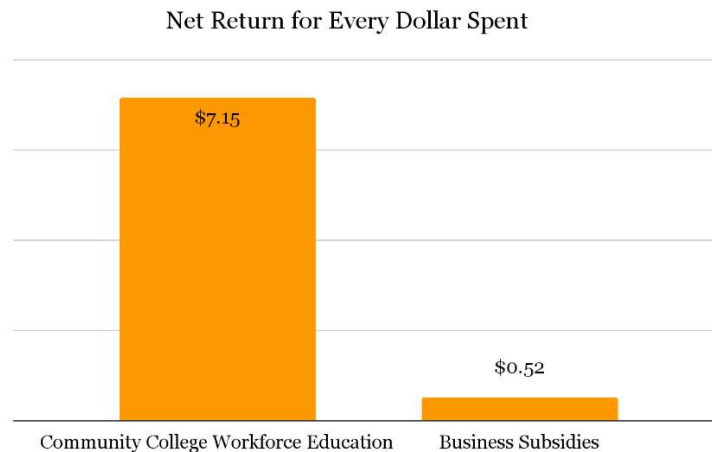
Institutions Of Public Higher Education Are Economic Development “Engines” That Produce Real Benefits, Unlike Many of the Highly-Touted Projects That In Recent Years Have Produced Little, Other Than Scandal

In addition to boosting racial and economic equity, public higher education helps to strengthen our economy. It is one of the best vehicles to move New Yorkers to financial stability and grow the “middle class.” The research into the economic benefits of investing in higher education has been overwhelmingly positive. There successes are well-documented, but here are some highlights that show a significant return on investment (ROI):

- SUNY’s economic impact in New York State is \$28.6 billion. *For every \$1 invested in SUNY, New York State’s economy benefits the equivalent of \$8.17* and is responsible for nearly 2% of the gross state product.¹

- CUNY graduates working in New York State earned a combined \$57 billion annually (\$67,000 on average) in 2019 – \$28.6 billion more than students would have earned without a post-secondary degree.ⁱⁱ
- CUNY graduates working in New York paid an estimated \$4.2 billion in State income taxes in 2019.ⁱⁱⁱ
- The average bachelor’s degree holder contributes \$278,000 more to local economies than the average high school graduate through direct spending over the course of a lifetime; and an associate degree holder contributes \$81,000 more than a high school graduate.^{iv}

Community Colleges are also prime examples of what economic development should look like. Research from experts like economist Tim Bartik has shown that **community college workforce education** is one of the most cost-effective ways for governments to create jobs and grow the economy, especially in comparison to giving money away to businesses via tax abatements, grants, and other forms of business subsidies.^v



The State University of New York: A Powerful Economic Development “Engine”

When policymakers think about economic development, they should be thinking in terms of job creation, return on investment (ROI) and stemming the outmigration of residents from the state. SUNY and CUNY not only create jobs, they create substantial tax revenues and keep students in New York well after they graduate. This provides the state with a skilled labor force which is one of the most important aspects of what businesses look for when they choose where to locate.

According to a 2018 report from the Rockefeller Institute of Government, SUNY is a key driver of the New York State economic engine. *SUNY’s economic impact in New York State is \$28.6 billion, which represents a 27 percent growth in overall state economic impact since 2008.*^{vi}

The SUNY system educates approximately 436,277 students, employs 77,900 faculty and staff, and has an operating budget of \$11.2 billion.^{vii} To put this in perspective, if SUNY were a private company it would be among the ten largest employers in New York State. The SUNY system includes community colleges, four-year colleges, graduate and research centers, medical schools and hospitals, a law school, and significant commercialization activities. SUNY provides a powerful economic stimulus:

- **179,000** direct (77,900 full and part time SUNY employees) and Indirect Jobs (101,500 jobs indirectly supported)
- **34%** of the educated workforce in New York have a degree from SUNY
- SUNY grants over 90,000 degrees each year, more than other institution in the state, with 78% remaining and working in New York State 2 years after graduation.^{viii}

The City University of New York: A Powerful Economic Development “Engine”

According to a March 2021 report from the New York City Comptroller,^{ix} state support for CUNY results in a powerful economic stimulus:

79 percent of CUNY graduates work full time in New York State after graduation. Nearly **850,000** CUNY graduates work full time in New York State, representing:

- **Approximately 10 percent** of the total **private-sector workforce** in the state;
- **17 percent** of the workforce with higher education;
- **One third** of those with an associate’s degree and 18 percent of those with a bachelor’s degree.

In 2020 the Brookings Institution listed 12 CUNY campuses that provided its students with the greatest upward mobility to the middle class.^x A new report from the Brookings Institution ranks six of CUNY’s senior colleges and six community colleges among the top 10 four-year and two-year colleges nationwide with the greatest success in lifting low-income students into the middle class. Three other CUNY senior colleges were ranked in the top 25.^{xi}

The Brookings [“Middle Class Mobility”](#) report used the same data and similar methodology as a pioneering and widely cited 2017 study led by economist Raj Chetty, who was then at Stanford and is now at Harvard. The study assessed data for more than 1,600 colleges and ranked the schools according to the percentage of their graduates who came from families in the bottom 20 percent of income level and eventually reached the top 20 percent for individual earnings. The study also built on the Chetty team’s social mobility research by assessing colleges’ success in helping students from middle-income families move up the economic ladder.^{xii}

Almost half of CUNY’s students come from households earning less than \$20,000.^{xiii} Over the past two years the University’s social-mobility track record has been cited in college rankings by Money magazine, The Chronicle of Higher Education and others.^{xiv}

In the Brookings “bottom-to-top” rankings, Baruch College was ranked second nationwide, City College of New York third, Lehman College fourth, John Jay College of Criminal Justice fifth,

Brooklyn College ninth and the New York City College of Technology tenth. Three other CUNY senior colleges — Hunter, Queens and York — were ranked in the top 25. Baruch was also first among all public four-year colleges in the nation.

Six CUNY community colleges, meanwhile, were in the top 10 for two-year colleges: Borough of Manhattan Community College was ranked third, Hostos fourth, LaGuardia fifth, Queensborough sixth, Bronx eighth and Kingsborough tenth.^{xv}

Conclusion: Now is not the time to be timid. Now is the time to take bold action and begin to admit that just because we have been doing economic development the same way for decades does not make it the right way. These programs, credits and abatements do not provide the type of return on investment that we need to justify their expense. Nor do they provide the jobs they often claim to.

ⁱ The Economic Impact of the State University of New York: Laura Schultz, November 2018 <https://rockinst.org/issue-area/the-economic-impact-of-the-state-university-of-new-york/>

ⁱⁱ **Comptroller Stringer Analysis: CUNY Graduates Earn Combined \$57 Billion Annually, Highlighting CUNY's Significant Contributions to Local and State Economies.** <https://comptroller.nyc.gov/newsroom/comptroller-stringer-analysis-cuny-graduates-earn-combined-57-billion-annually-highlighting-cunys-significant-contributions-to-local-and-state-economies/>

ⁱⁱⁱ Comptroller Stringer Analysis: CUNY Graduates Earn Combined \$57 Billion Annually, Highlighting CUNY's Significant Contributions to Local and State Economies. <https://comptroller.nyc.gov/newsroom/comptroller-stringer-analysis-cuny-graduates-earn-combined-57-billion-annually-highlighting-cunys-significant-contributions-to-local-and-state-economies/>

^{iv} Rothwell, Jonathan. "What colleges do for local economies: A direct measure based on consumption." *Brookings*, July 28, 2016, www.brookings.edu/research/what-colleges-do-for-local-economies-a-direct-measure-based-on-consumption/.

^v Bartik, 2019 https://reinventalbany.org/wp-content/uploads/2022/11/Workforce-Development_-_Everybody-Says-They-Love-It.-But-What-Is-It-November-2022.pdf

^{vi} The Economic Impact of the State University of New York: Laura Schultz, November 2018 <https://rockinst.org/issue-area/the-economic-impact-of-the-state-university-of-new-york/>

^{vii} "New York's Largest Private Sector Employers," NYS Department of Labor, accessed September 20, 2018, <https://labor.ny.gov/stats/nys/Largest-private-sector-employers-NYS.shtm>

^{viii} SUNY Graduates Post-Completion Wages <https://www.suny.edu/media/suny/content-assets/documents/institutional-research/DOL-report-Issue1.pdf>

^{ix} Comptroller Stringer Analysis: CUNY Graduates Earn Combined \$57 Billion Annually, Highlighting CUNY's Significant Contributions to Local and State Economies. <https://comptroller.nyc.gov/newsroom/comptroller-stringer-analysis-cuny-graduates-earn-combined-57-billion-annually-highlighting-cunys-significant-contributions-to-local-and-state-economies/>

^x Opportunity Engines: Middle Class Mobility in Higher Education, Sarah Reber, Chenoah Sinclair, Tuesday, May 19, 2020 <https://www.brookings.edu/research/opportunity-engines-middle-class-mobility-in-higher-education/>

^{xi} Opportunity Engines: Middle Class Mobility in Higher Education, Sarah Reber, Chenoah Sinclair, Tuesday, May 19, 2020 <https://www.brookings.edu/research/opportunity-engines-middle-class-mobility-in-higher-education/>

^{xii} New Study Confirms CUNY's Power As National Engine Of Economic Mobility, June 2020 <https://www1.cuny.edu/mu/forum/2020/06/17/new-study-confirms-cunys-power-as-national-engine-of-economic-mobility/>

^{xiii} Opportunity Engines: Middle Class Mobility in Higher Education, Sarah Reber, Chenoah Sinclair, Tuesday, May 19, 2020 <https://www.brookings.edu/research/opportunity-engines-middle-class-mobility-in-higher-education/>

^{xiv} New Study Confirms CUNY's Power As National Engine Of Economic Mobility, June 2020 <https://www1.cuny.edu/mu/forum/2020/06/17/new-study-confirms-cunys-power-as-national-engine-of-economic-mobility/>

^{xv} New Study Confirms CUNY's Power As National Engine Of Economic Mobility, June 2020 <https://www1.cuny.edu/mu/forum/2020/06/17/new-study-confirms-cunys-power-as-national-engine-of-economic-mobility/>