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**New York State Joint Legislative Budget Hearing on Economic Development**  
*Testimony submitted by Ashley Ranslow, NY State Director for the National Federation of Independent Business (NFIB)*

Thank you very much Senator Krueger, Assemblymember Pretlow, members of the Senate and Assembly, and legislative staff, for your consideration of NFIB's testimony.

NFIB is a member-driven organization representing more than 11,000 small businesses across New York State.

NFIB members define our neighborhoods and strengthen our communities with character and value: local hardware stores, independent restaurants, florists, barbers, small retailers, dry cleaners, convenience stores, truckers, farmers, roofers, landscapers, mechanics, and fitness and retail boutiques. These are samples of NFIB members.

There are close to 500,000 small businesses with employees in New York. These businesses employ 40 percent of the state's private-sector workforce, over 3 million New Yorkers, and their production accounts for nearly half of the state's GDP. A staggering 98 percent of New York's businesses have fewer than 100 employees. 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 also enrich their communities through financial support, in-kind contributions, and volunteerism. Ninety percent of small business owners have financially supported community or civic groups, sixty-three percent have provided in-kind contributions, and seventy-six percent of all business owners reported volunteering

their time according to NFIB's 2024 Small Business' Contribution to the Community report.<sup>1</sup>

Small businesses are local job creators and the bedrock of the state and regional economies. Neighborhood employers continue to face significant financial challenges, including inflation, escalating utility bills, high taxes, an exodus of workers from the labor force, rising insurance premiums, and the threat of costly lawsuits. In NFIB's semi-annual "State of the States" Small Business Economic Trends (SBET) report, optimism among New York's small business owners is lagging the nation, driven by lower sales expectations, employment plans, and economic expectations. Thirty-five percent of small business owners report job openings that could not be filled, and only five percent plan to increase employment, a nine-point drop from national sentiment. The cost of labor is the second most serious problem for New York's small business owners, but just fifth in the rest of the country (15% vs 9%). The labor shortage continues to drive wages even higher with small business owners reporting that they raised compensation or plan to raise compensation in the next 3 months, while also increasing selling prices. The cost/availability of insurance has increased significantly, with nine percent of small businesses reporting it as their single most important problem compared to five percent just a year ago. Overall, the top five single most important problems for the Empire State's small businesses are labor quality (18%), cost of labor (15%), taxes (14%), government regulation (10%), and cost/availability of insurance (9%).

In NFIB's 2024 Problems and Priorities report, New York small business owners ranked 75 potential business problems, with the top problems relating to taxes, regulations, economic uncertainty, and the cost of insurance and utility bills. New York's small business owners identified state business income taxes as the third most burdensome problem – six spots higher than the national average.<sup>2</sup> Other critical problems higher than the national average include government regulations (4<sup>th</sup>), cost of natural gas, propane, gasoline, diesel, and fuel oil (5<sup>th</sup>), electricity rates (7<sup>th</sup>), workers' compensation (14<sup>th</sup>), minimum wage (15<sup>th</sup>), and credit card payment processing costs (20<sup>th</sup>). The top 20 problems for New York's Main Street demonstrate small business owners' struggles with the cost and logistics of running a business in New York State.

Unfortunately, post-pandemic financial challenges and New York's difficult business environment have taken a toll on the small business eco-system and New York's economy at large. According to Empire State Development, since 2019, New York State has seen a 2.2 percent growth in small businesses with fewer than 100 employees, but a

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<sup>1</sup> NFIB Research Center, 2024 Small Businesses' Contribution to the Community, Nov. 2024. [2024 Small Business Contribution to the Community.ai](#).

<sup>2</sup> NFIB Research Center, 2024 Small Business Problems & Priorities, <https://nfib.com/wp-content/uploads/2024/10/2024-Small-Business-Problems-Priorities.pdf>.

2.4 percent decline in employment in small businesses<sup>3</sup>. There are nearly 11,000 more small businesses with fewer than 100 employees (due to growth in firms with less than 25 employees), but 75,000 fewer employees working in those businesses, undoubtedly a reflection of business owners trying to contain costs while also facing a severe labor shortage. More troubling, the number of small businesses with more than 24 employees but fewer than 100 employees has decreased by 4 percent over the last four years, and employment has fallen by 3.8 percent. New York must identify opportunities to help small businesses overcome challenges, address the affordability crisis, stem the tide of out-migration of New Yorkers, and strengthen and enhance the economy's competitive edge. This begins by creating an environment where small businesses are not merely keeping their heads above water but instead are prospering and expanding within New York State.

The Fiscal Year 2027 budget is an opportunity to begin tackling insurance affordability, ease the regulatory and financial burdens plaguing small businesses across the state, and reimagine the state's economic development strategy to spur economic growth in communities across our state. The following policy recommendations are imperative to promote and protect economic development and small businesses in New York State:

### **Auto Insurance Reform:**

New York's auto insurance premiums continue to rise to unaffordable levels for small businesses and consumers alike. Auto insurance premiums in New York jumped 13.5 percent in 2024 alone and have risen 21 percent since 2022. These rate hikes mean that New Yorkers are paying \$1,500 more per year than the national average, with their annual bill totaling \$4,000. This problem cannot continue to be ignored and must be addressed in this year's state budget.

The FY 2027 Executive Budget includes several reasonable and necessary reforms to reduce auto insurance premiums that should be welcomed and enacted. These reforms address key contributors to the Empire State's nation-leading auto insurance premiums, including fraud, costly and abusive litigation, greater enforcement, and closing legal loopholes.

Unfortunately, fraud is running rampant through the insurance industry, inflating everyone's premiums by as much as \$300 per year. In 2023, New York recorded 1,729 staged auto accidents, the second highest in the nation. Insurers are reporting suspected incidents of fraud at record highs to the Department of Financial Services. Fraud unequivocally is a major problem and must be addressed, which will take an organized and robust approach. The Executive budget proposes revamping New York's

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<sup>3</sup> New York State Empire State Development, Annual Report on the State of Small Businesses, 2024. <https://esd.ny.gov/sites/default/files/media/document/2024-ESD-ANNUAL-REPORT-ON-SMALL-BUSINESSES.pdf>

Motor Vehicle Theft and Insurance Fraud Prevention Board to investigate and prosecute insurance fraud, as well as directly tasking state agencies (DFS, DMV, DCJS, and NYSP) to coordinate enforcement. The agencies will collaborate with prosecutors to ensure that any fraud is prosecuted so that wrongdoers are held accountable. The Executive budget also includes provisions to increase penalties against fraudsters. Any individual responsible for participating in the organization of a staged accident could be charged with a felony, and medical providers participating in staged accident schemes could have their licenses suspended or revoked. Insurers will also coordinate and collaborate to ensure fraud does not continue to go undetected or unaddressed. Provisions to increase the time insurers must report fraud and reduce barriers to alleging fraud in court will help avoid fraudulent payouts – saving policy holders money. Fraud is a severe problem and must have profound consequences, otherwise it will continue to run rampant. Small businesses and consumers should not have to foot the bill for the illegal actions of others. Fraudsters must be held accountable and be prosecuted to the fullest extent of the law.

While cracking down on fraud is imperative, it is only part of the problem. Costly and abusive litigation is a growing issue and unfairly penalizes hardworking small business owners and consumers to enrich a few. Under current law, individuals committing crimes, such as driving under the influence of drugs or alcohol, can sue and receive payouts for non-economic damages. This is an absolute absurdity and should not be allowed to continue. The Governor's proposal would cap non-economic damages for drivers committing crimes, including uninsured drivers, drivers convicted of operating the vehicle under the influence at the time of the incident, and drivers committing a felony (of fleeing one) at the time of the incident. This is a commonsense change to protect law-abiding citizens who should not be on the hook for higher premiums because wrong doers, and their attorneys, can sue and get rich quickly when the driver is committing a crime.

New York is also an outlier in how it allows for non-economic damages to drivers "mostly" at fault. Most states, including neighboring states like Connecticut, Massachusetts, and New Jersey, only allow damages if the driver is not primarily at fault for the accident. This makes tremendous sense; the driver who caused the accident should not be able to cash in. A driver who is "mostly" at fault should be held accountable for their actions and should not be able to secure a hefty payout. A reform such as this is not only important for auto insurance premium reduction but will also create an environment where drivers face accountability and hopefully operate vehicles more safely and without distractions.

The other major contributor to increased and expensive litigation is the serious injury threshold. The serious injury threshold, while well-intended at the time of enactment, is now being exploited. The original intent of this threshold was to prevent minor injuries from personal injury litigation and reserve lawsuits for those suffering from major injuries. Unfortunately, the state's legal definition of serious injury is inconsistent and

too vague, allowing for litigation even when an injury may be temporary. The lack of a clear definition of serious injury has led to a staggering level of personal injury litigation, resulting in massive awards. The system is being gamed, as demonstrated by a LexisNexis Risk Solutions report stating that 38% of auto insurance claimants reported that their attorney suggested or recommended medical treatment. The current system creates a perverse incentive for attorneys to recommend medical treatment for claimants and their attorneys to cash in. The Executive budget provision to tighten the serious injury standard is a necessity to stop the exploitive litigation environment here in New York.

While the above-mentioned reform package is essential to help reduce the strain on the auto insurance industry, any savings should be passed on to policyholders through lower insurance premiums. NFIB strongly supports the Governor's initiative to direct the Department of Financial Services to reexamine the Excess Profit Law to ensure that small business owners and consumers see their costs go down because of these substantial reforms.

New York cannot continue to have the highest auto insurance premiums in the nation; it is detrimental to consumers, small businesses, and the state's economy. There are structural and systemic problems that have, for too long, been ignored because of powerful entrenched interests. The comprehensive reform package proposed by the Governor will lead to lower insurance costs, and these savings will be passed on to consumers and small business owners; ultimately, taking a step in the right direction to address the affordability crisis plaguing New York.

### **Regulatory Reform:**

According to a recent report by the Public Policy Institute, New York's economic competitiveness has suffered, in part, due to overregulation. New York State has more than 300,000 regulations on the books, second only to California. These regulations contain more than 17 million words. A business of any size struggles to navigate this web of regulation, but for small businesses, this is especially daunting and insurmountable. The pace of regulations shows no sign of slowing, with New York lawmakers filing the most legislation in a two-year period in the nation. In the 2023-2024 legislative session, over 24,000 bills were filed, five times the national average and nearly double the next closest state. While not all of these are necessarily new regulations, thousands are introduced each year, leading to uncertainty, skepticism, and concern about the state's efforts to increase economic investment and opportunities<sup>4</sup>.

While the FY 2027 Executive Budget does not include legislative action on regulatory review and reform, the Governor's State of the State address focused on cutting red

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<sup>4</sup> "Blueprint for New York – Creating a Roadmap for Change." The Public Policy Institute of New York, September 2025. [Blueprint for New York – Creating a Roadmap for Change](#).

tape and removing “unnecessary bureaucratic obstacles.” The Executive Chamber’s initiative to reach out to stakeholders to identify outdated, duplicative, or unnecessarily difficult regulations is a step in the right direction to ensure small businesses can operate more easily and affordably. To build on this effort, Legislators should reach out to small business owners to understand the regulatory roadblocks that make it harder or more expensive to do business. Identifying the hurdles is the first step, and while some reforms can be made through agency rulemaking or process changes, many will require legislative action. The Legislature should serve as a partner throughout the regulatory reform process, while also being mindful of creating new regulations during the legislative session.

Regulatory reform is essential to moving towards a more affordable business climate and is better for the state’s economy and consumers. For too long, regulations have been layered on top of one another without proper review or consideration. The state’s current regulatory environment needs substantial and well-thought-out reforms; otherwise, small businesses will continue to struggle, growth will be stifled, and entrepreneurs will look for opportunities elsewhere.

### **SEQRA Reform:**

The State Environmental Quality Review Act (SEQRA), passed in 1976, has become a major impediment to the timely and cost-effective development of critical projects across New York. SEQRA has turned into an unpredictable, time-consuming, inefficient, and expensive regulatory framework that is unnecessary for achieving its goals. New York can both protect the environment and facilitate growth and development. These two goals can be achieved through modernizing and streamlining the environmental review process.

The environmental review process mandated by SEQRA is layered on top of local regulatory processes and permit requirements, and local land use and zoning regulations. This cumbersome and layered system has been exploited to stifle development through unending appeals, challenges, and lawsuits. Delaying and blocking new development has become the norm, even for projects that have a negligible impact on the environment. Compared to peer states, projects in New York can take up to 56 percent longer from concept to shovels in the ground. The delay in getting projects approved adds substantially higher costs to the total project, which runs counter to trying to make the Empire State more affordable. Driving project costs higher is bad for small businesses, consumers, and taxpayers; instead, the state needs to create a pathway to build faster and cheaper.

In the FY2027 budget, the Governor proposes limiting SEQRA exemptions and adjusting classification to certain types of projects, such as affordable housing, clean water, green infrastructure, parks and trails, and childcare. It should also be expanded to other types of housing and commercial facilities erected on previously disturbed areas. Drastically

reducing administrative steps to expedite timelines is a benefit that should not be limited in scope.

The Executive Budget proposal also includes necessary provisions to ensure local communities and state agencies are conducting their reviews within a defined timeframe. Review timelines vary, creating unpredictability for a project and adding to the overall total cost of a project. Under the Governor's proposal, there is a maximum two-year deadline for completion of a SEQRA environmental impact statement to the issuance of an agency's final decision. This will provide greater certainty in the planning process and will prevent unnecessary delays. Additionally, DEC will develop "Generic Environmental Impact Statements" (GEISs), comprehensive reviews for common project types. The GEISs will help cut down environmental review timelines while also providing developers with more guidance on site selection and upfront decision making.

While environmental reviews have become bottlenecks for projects, permitting has also become a time-consuming and bureaucratic process. For some agencies, the permitting process and required technology have not been updated in decades. The lack of system upgrades leads to an unnecessarily difficult, delayed, and tedious process of applying for a permit, leading to longer processing and review times. Time is money. The longer a project takes to receive the proper permits, the more expensive it becomes. The Executive Budget proposes commonsense solutions including a permitting academy, a consolidated platform for applicants, a new Office of Performance Management and Innovation, and directing agencies to develop internal performance tracking systems. All these initiatives will help ensure permitting can be done more quickly and efficiently, saving projects time and money.

Permitting and environmental review have been weaponized to delay or prevent projects for too long. For New York's economy to stay relevant and succeed, new projects need to get off the ground. Development can proceed quickly while also going through the proper permitting and environmental reviews through proper reforms. These reforms are a practical and necessary step to cut red tape, accelerate building, and make projects more affordable.

### **Economic Development Reform:**

New York State, county, and local governments spend more than \$10 billion each year on economic development that often does not directly benefit Main Street or native businesses. The PFM "Economic Impact of Tax Incentive Programs" commissioned by the New York State Dept. of Taxation and Finance demonstrates that numerous economic development programs are ineffective or inefficient. Of the more than two dozen tax credits and incentives examined by PFM, fewer than ten generated a positive return on investment for the state, and several were inconclusive due to a lack of data. Strategic and smart economic development programs should be part of the economic development incentive portfolio. According to best practices in the "Economic Impact of

Tax Incentive Programs” by PFM Group Consulting LLC, “smart incentives help businesses overcome practical barriers to growth” and “customized assistance for locally owned, small and medium-sized businesses can have significant impact.”<sup>5</sup> At this time, existing, locally-owned small businesses qualify for very few programs, while billions in taxpayer dollars are given to certain, often larger, companies or particular industries.

As an example, the Executive Budget (REV Part J) proposes enhancing the New York City musical and theatrical production tax credit even though it does not have any overall positive impact on the state’s economy. According to the report completed by PFM, the program yields only \$0.11 in direct tax revenue and \$0.23 for all combined state tax revenue for every \$1.00 invested. With such a poor return on taxpayer investment, the program should not be further enhanced. Tax credits such as this and others with little positive impact should be scrutinized instead of continuing with the status quo.

Moving forward, the State must ensure that some of the state’s economic development money is benefiting local, independent businesses. Most economic development programs available to small, family-owned, independent businesses are loan programs, which are sometimes useful to finance growth or expansion, but do not offer the same benefits or advantages as tax credits, grants, or tax-free incentives. Currently, existing, locally owned small businesses qualify for very few programs, while billions in taxpayer dollars are given to certain, often larger, companies. New York should prioritize amending and funding grants and tax credits that can also be geared toward existing small businesses to help pay for business expansion, capital improvements, new equipment, and infrastructure and technology investments and upgrades.

There must be a shift in the state’s priorities that no longer subsidize big businesses and industries at the expense of small businesses. Out-of-state transplants should not be the sole focus with taxpayer incentives to compete with homegrown, local employers. Any business owner will agree it is far more cost-effective to keep an existing customer than it is to attract new ones. New York State’s economic development policy should reflect this simple truth: creating an environment that invites investment, growth, and the sustained prosperity of existing employers will always provide more economic and social benefits than spending millions of dollars to attract new ones.

Most importantly, economic development is more than tax credits, incentives, and grants. A successful economic development strategy requires reasonable, intelligent, and deliberate public policy decisions. There is a point where direct incentives do not outweigh the overall tax, regulatory, and oppressive business environment created in Albany. Look no further than New York’s \$5.5 billion in taxpayer incentives provided to Micron compared to Idaho, which is offering Micron a \$45.7 million Tax Reimbursement

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<sup>5</sup> “Economic Impact of Tax Incentive Programs.” PFM Group Consulting LLC, December 2023. [Is the NY Tax Incentive Program actually paying off for the state and taxpayers? \(wkbw.com\)](https://www.wkbw.com/news/economic-impact-of-tax-incentive-programs/)

Incentive, paid out “post-performance” contingent on Micron achieving its jobs obligations, and a property and sales tax break.<sup>6</sup> Idaho’s tax incentives and credits pale in comparison to New York’s, which demonstrates the Empire state’s disadvantage in attracting businesses – it costs the state significantly more to overcome its tax and regulatory burdens. This reality exemplifies why regulatory and SEQRA reform is desperately needed, and any new taxes or tax increases should be wholeheartedly rejected.

Generating a thriving economy does not solely require billions in subsidies and headline-grabbing projects, but also creating a better business environment with lower taxes, fewer regulations, and more affordable insurance. A prosperous state and bustling communities are only possible if Main Street is thriving. This will require improving New York’s overall business climate through tort reform and regulatory reform, holding the line on taxes, disciplined and deliberate economic policy, transparency, accountability, and eliminating wasteful programs with poor returns on investment.

NFIB thanks you for the time and consideration and looks forward to working together to create an environment that helps small businesses thrive, for the betterment of their employees, local communities, the economy, and all New Yorkers.

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<sup>6</sup> “Two years later, Micron mum on housing, transit investments in Idaho – but not in New York.” BoiseDev, Aug. 2024. [Micron quiet on plans for housing, transportation improvements.](#)