



NEW YORK STATE SENATOR

Liz Krueger

Senator Krueger Calls for Oversight and Reform of Empire State Development Corporation; Learns Empire Zone Tax Breaks Were Purchased by Companies Not Otherwise Eligible

LIZ KRUEGER November 20, 2006

Albany, NY—State Senator Liz Krueger today called for increased oversight and reform of the Empire State Development Corporation (ESDC), after learning the ESDC had been allowing localities to sell Empire Zone tax breaks to private companies not otherwise eligible for these benefits.

"There is a pattern with the ESDC that we have to break," Krueger said. "While the Legislature has since closed this specific loophole, the deals the ESDC previously made continue to cost us millions in revenue every year. The fact that the ESDC would permit such a practice shows a complete disregard for the legislative intent of the Empire Zone program."

The Syracuse Post-Standard reported recently how "New York state officials allowed a Rochester mall owner to buy Empire Zone tax breaks while thousands of other state businesses were excluded from the program." The mall owner paid the local community \$1.5 million to expand the boundaries of the Empire Zone to include his business. In return, the mall owner is expected to receive more than \$14 million on tax breaks over the next ten years, all at the expense of taxpayers.

"Some people will look at this decision and say it reflects a new low in this agency's self-governance. I believe it represents more than just that—this confirms that the political appointees Governor Pataki has named to the ESDC either lack the most basic understanding of the very laws they are charged with implementing, or worse, they simply don't care," Krueger declared.

Yet another recent example of blatant mismanagement of Empire Zones was the September 2006 discovery that the ESDC had awarded \$22 million in tax breaks to a New Jersey-based company, NRG Energy. In return for \$22M in tax breaks, NRG created one part-time position. In fact, in 2004, fully 40-percent of ESDC-funded projects were out of compliance with job creation goals, according to the ESDC's own report.

"The paltry economic benefits that local communities reap fail to justify the use of taxpayer dollars by the ESDC," Krueger said. "There is no oversight and there is no accountability in these programs. I look forward to our new Governor completely revamping these programs and the staff of the ESDC and other public authorities."

To ensure accountability and transparency of the tax expenditure and tax credit process, which will be applicable both to the ESDC deals and to any corporation doing business with New York State, Senator Krueger has introduced S.5921, The Corporate Accountability for Tax Expenditures Act. This act would require that economic assistance—including tax credits and exemptions—provided by any state agency or public authority must be based on the terms of a standardized written incentive agreement. The legislation mandates that certain development assistance agreements would be submitted to the Department of Taxation and Finance, and also provides that if a business fails to create or retain the specified number of jobs and breaks the contract, the business will no longer qualify for State economic assistance.

"The increasing size and frequency of these mishaps emphasizes the immediate need for this legislation to be enacted. New York's structural budget problems demand that the Legislature not ignore how some corporations are exploiting loopholes, and taxpayers are being left with the bill. This legislation will go a long way towards ensuring that tax incentive programs such as Empire Zones are actually delivering the economic development benefits they claim to provide to New York," Krueger concluded. "We must put an end to special interests being allowed to manipulate the tax system, with the ESDC letting them get away with it."