



NEW YORK STATE SENATOR

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Is Your Word Good New York?

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The just-completed 2010-2011 New York State budget puts a few finishing touches on what has become a disturbing and disheartening habit of New York government in the past few years: devaluing not just a strong, but in these toughest of times what should be an unshakable commitment to economic development.

In fact, state leaders have been taking actions that serve better to drive jobs away than create them – and it simply can't go on. The glaring example of this lack of a strong commitment to businesses, industries, and overall economic growth took place a few months ago as state leaders approached the final week before the scheduled termination, on June 30th, of what had been upstate New York's No. 1 economic development tool – the Empire Zone program – and still, despite loud pledges to do otherwise, hadn't enacted anything to replace it.

It does no good to rehash the entire unfolding of this unfortunate chapter in New York's economic development history, but it is important to note what many upstate business leaders have been saying about the ability of the replacement program to offer sufficient resources to spark any meaningful upstate economic growth.

Here's what one leading upstate economic developer had to say, "Economic development is a competitive marketplace, and the loss of legitimacy in New York's commitments would be used against it by other states and countries with which we compete for projects. These proposals would have a devastating effect on economic development in Upstate." This same leader went on to stress that while a beneficial rebranding and a reconstitution of the Empire Zone program could be achieved, state leaders were at risk of "doing long-term damage to New York's credibility as a good place to live and work."

Those words serve to pinpoint what's most troubling about the damage being done – phrases like the "loss of legitimacy" and "damage to New York's credibility." It brings it all to another level. It's difficult to overcome feelings of mistrust once they begin to take hold. That spells T-R-O-U-B-L-E that's hard to reverse.

Not long ago state leaders put the finishing touches on this year's state budget and one of their last actions was to approve financing legislation that includes a three-year deferral of tax credits that businesses throughout our region and across New York have already earned and were counting on to create and retain jobs in New York. This action amounts to a \$2-billion business tax increase over the next three years.

Here's how Ken Adams, president of the Business Council of New York State, responded, "Beyond several anti-business measures built into the 2011 budget, the two worst decisions for the long-term economic health of New York involve the state violating commitments it made to firms that have been playing by the rules and investing here.

"First, a three-year deferral of already earned tax credits. Many companies have made significant investments to create and retain jobs in New York...Part of their calculation in making those investments included tax credits to offset the high cost of doing business here. Now the state says, 'Hold on, you can't get your credits until 2013.'

"Companies will see their taxes increase by more than \$2 billion during the next three years. Many are skeptical that the state will be in a position to make things right when the deferral period is over."

And then Mr. Adams makes his most damaging point: "Understandably, these companies – many of which financed their projects based on the timely payment by the state of the credits they earned – will have grave doubts about entering into more economic development agreements with New York. Firms considering moving to New York see us as the state that can't keep its word."

"The state that can't keep its word." It's going to take a great deal of specific programs and policies to turn New York around, but it's clear that this renewal won't stand a chance until state leaders get back to understanding the fundamental value that a promise made needs to be a promise kept.