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## Testimony at the Joint Legislative Public Hearing on 2014-2015 Executive **Budget Proposal: Economic Development**

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Good afternoon. I would like to thank the members of the Senate Finance and Assembly Ways and Means Committees for giving me the opportunity to comment on the Governor's proposed 2014-2015 Executive Budget as it relates to economic development. My name is Andy Reynolds and I am the Communications Organizer for the Coalition for Economic Justice, a Buffalo-based non-profit that unites workers, community members, religious leaders, students and other allies to advance social, racial and economic justice. The Coalition for Economic Justice also co-anchors the Getting Our Money's Worth Coalition, a broad-based coalition that advocates for good jobs, strong communities, and sustainable economic growth through comprehensive reform of New York's economic development system.

We believe that our government has a responsibility to use public money to make smart investments that revitalize our economy, increase economic opportunities for all New Yorkers, and benefit our community as a whole. Far too often, however, our state's economic development programs invest public subsidies in private businesses that fail to create good jobs or new economic growth.

The Getting Our Money's Worth Coalition released a report last year, which analyzed data from dozens of economic development programs, and found that New York spends approximately \$7 billion annually in the name of economic development. In addition, the report found that few programs require recipients of subsidies to set performance goals such as job creation; few require project-specific reporting or monitor the success of projects; and few allow for adequate public review or recourse when corporations fail to live up to their agreements. At a cost of \$7 billion a year, it is nearly impossible for the public or policymakers to determine if this substantial investment in economic development is working for New York.1

New York's failing economic development system comes at a huge cost to local communities, which lose out on critical tax revenue needed for infrastructure, schools, public transportation, and other public services we all depend on. In a moment when many municipalities are facing budget deficits,



<sup>&</sup>lt;sup>1</sup> ALIGN: The Alliance for a Greater New York and the Getting Our Money's Worth Coalition, The 7 Billion Wager: New York State's Costly Gamble in Economic Development, May 2013, at http://www.alignny.org/posts/resource/2013/05/the-7-billion-wager-new-york-statescostly-gamble-in-economic-development/

our state leaders have a chance to transform failing economic development programs into effective tools that grow our state and local economies and create broadly shared prosperity.

In Western New York alone, the region's 14 Industrial Development Agencies (IDAs) gave away \$36.4 million to private businesses in 2011. Many of the projects that received IDA assistance failed to create jobs or even lost jobs. Only 22% of the IDA projects in WNY set job creation goals and actually met them. With the public subsidies WNY IDAs gave to companies in 2011 we could have funded the education of 2,000 students for one year, retrofit nearly 3,000 small businesses for energy efficiency, save millions of dollars in energy costs and employ nearly 600 workers in the construction industry.<sup>2</sup>

Western New Yorkers have seen IDAs give tax breaks to car dealerships, hotels, and retail developments, projects that predominantly create low wage jobs and do not grow the region's economic pie, but re-slice it.

In January, the Amherst IDA gave the William Mattar Law Firm nearly \$550,000 in tax breaks to add a new office building at its current location. The Amherst IDA approved these tax breaks despite the countywide policy prohibiting IDAs from funding law firm expansion projects.

Last year, the Erie County IDA handed out \$9.6 million in tax breaks to the Uniland Corporation to build a 12 story mixed-use office building with a hotel in Buffalo's downtown, which is suffering from a high vacancy rate. Delaware North, the anchor tenant of this Uniland project, received an additional \$807,000 in sales tax breaks to build-out and furnish their office space in the new building. Essentially, Delaware North, a global hospitality and food service management company with \$2.6 billion in annual revenues, received public incentives to move their offices two blocks from their current location and increase the number of vacant office space in Buffalo.

These are just a few examples highlighting the failures of New York's economic development system to make smart investments in companies that will have a positive impact on our communities and create new economic opportunities for local workers.

It's time New Yorker's get their money's worth from economic development dollars by ensuring that corporate subsidies create good jobs, that transparency measures are in place for the public and policymakers to effectively monitor the programs, and that companies that fail to live up to their agreements are held accountable.

New Yorkers need and deserve real solutions to fix New York's broken economic development system. The Just and Open Subsidies Act (JOBS Act; bill #A8203) is a solution that will prioritize performance, accountability and transparency to ensure that our economic development programs are making smart investments in companies that will create good, family sustaining jobs and shared community benefits.

<sup>&</sup>lt;sup>2</sup> ALIGN: The Alliance for a Greater New York and the Getting Our Money's Worth Coalition, *Regional Review: A Closer Look at New York's* \$7 *Billion Subsidy* System, December 2013, at http://www.alignny.org/posts/resource/2013/12/regional-regio

We need legislators to support the JOBS Act to rein in the \$7 billion in annual economic development spending. The key reform measures included in the JOBS Act are:

- **Prioritize Performance** by requiring that proposed development projects set job creation, job quality, and local hiring goals before receiving public subsidies.
- Show Us the Jobs by creating a public website where any New Yorker can track the performance of subsidized projects and by including subsidy spending in a state unified economic development budget.
- Increase Accountability by ensuring that all publicly subsidized projects engage community stakeholders and establish a "money-back guarantee" that allows local or state government to recapture subsidies when projects do not meet their promises.