



Unshackle Upstate

Joint Legislative Public Hearing on the Executive Budget

Taxes/Economic Development

February 9, 2015

Chairman DeFrancisco, Chairman Farrell, and other members of the Committee, thank you for the opportunity to present testimony to the Joint Legislative fiscal committees regarding the tax and economic development provisions of the 2015-16 Executive Budget.

As you are likely aware, Unshackle Upstate is a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition made up of business and trade organizations from all parts of Upstate New York.

Our main purpose is to help enact necessary reforms in Albany that make Upstate New York a better place to live, raise a family and do business. Our priorities remain the same as they have since we were founded:

- 1. Reducing State and Local Government Spending**
- 2. Reducing Taxes, Fees and Assessments**
- 3. Reducing Mandates on Businesses and Unfunded Mandates on Local Governments and School Districts**
- 4. Reducing the State's Reliance on Borrowing**

Unshackle Upstate supports the following provisions in the proposed budget:

Responsible & Controlled State Spending

The Executive Budget continues the recent state trend of limiting state spending increases and reducing future budget gaps. Unshackle Upstate wholeheartedly supports the Executive's continued commitment to holding state agency spending flat, while also limiting annual spending growth in State Operating Funds to 2 percent or less.

The fiscal restraint and responsible budgeting that the Governor and Legislature have agreed to in recent years has directly contributed to improvement in the Upstate economy. Unshackle

Upstate applauds these efforts and encourages the continuation of this practice in future state budgets.

Upstate Revitalization Program

Unshackle Upstate supports the budget's inclusion of a new \$1.5 billion Upstate New York Economic Revitalization Competition, where three of seven Upstate regions will be chosen to receive \$500 million in funding each. This program, modeled after the successful Region Economic Development process, will help promote job growth and strengthen the Upstate economy. Advancing an economic development strategy that relies on the expertise of local stakeholders is a smart and sensible approach.

We also support the state's continued focus on Upstate economic development. The economic stagnation and decline that have plagued Upstate has occurred over a period of decades. Only a sustained approach – one that relies on coordinated state and local efforts to reverse this state of affairs – will result in an improving Upstate economy.

Regional Economic Development Councils

Unshackle Upstate continues to support the REDC process, and firmly believes that locally driven economic development will help maintain momentum and stimulate important job creation efforts across the state. According to the Governor, the REDCs have awarded over \$2.9 billion in state funding, which has resulted in 150,000 new or retained jobs in New York State.

Broadband Infrastructure

Unshackle Upstate supports efforts by New York State to promote broadband access and adoption in underserved areas throughout the state – rural and inner city areas. According to the New York State Broadband Program Office, more than six million New Yorkers do not use broadband at home due to issues such as affordability, lack of knowledge or perception of need. The Governor's proposed \$500 million New NY Broadband Fund is a means to reach the goal of expanding the availability and capacity of broadband across New York.

Extension of the Brownfield Cleanup Program

Unshackle Upstate supports the 2015-16 Executive Budget proposal to extend the state's Brownfield Cleanup Program (BCP) redevelopment tax credits for 10 years and goals for improving the program through "expanding eligibility, targeting tax credits, and streamlining the administrative process."

However, Unshackle Upstate believes that the following proposals must be amended:

- Revise the definition of an "upside-down" property to expressly include all site preparation costs
- Define "integrated to the structure of the building," to further clarify examples of eligible and ineligible activities

- Provide flexibility within the en-zone eligibility requirements to allow additional, specified data or material factors be considered when determining the level of distress, especially given a lower population.

Given the quickly approaching expiration of the state's BCP, it is imperative that the governor and Legislature reauthorize the program this year to ensure the success of important remediation projects across the state and particularly for our urban centers: Buffalo, Rochester, Syracuse and Binghamton.

Unshackle Upstate **opposes** the following provisions in the proposed budget:

New Health Insurance Tax

Our organization opposes the proposed new, \$69 million tax on private health care coverage that will ultimately be borne by the businesses that provide health insurance and their employees who receive coverage. This additional assessment is being proposed on top of the approximately \$4.6 billion health insurance taxes and fees currently being paid by New Yorkers.

As Federal and state governments continue to grapple with addressing ways to control health care costs, adding additional fees and taxes to the system is ill-advised and will likely force small businesses and individuals to opt-out and drop coverage. Unshackle Upstate strongly believes that the governor and Legislature should explore ways to reduce the taxes, fees and surcharges and help make employer-sponsored health insurance plans more affordable.

Property Tax Relief Credit

Unshackle Upstate opposes the creation of a new property tax credit and a new renters' credit, which is only available to certain households that meet specific income requirements. While we support the governor's continued focus on New York State's property tax crisis, this proposal only shifts the property tax burden and fails to deliver property tax relief to businesses across the state.

We support Gov. Cuomo's commitment to making the state's property tax cap permanent and urge the state to also address the unfunded state mandates that have long served to drive up local property taxes. Rather than provide tax relief for some New York taxpayers, we urge the Governor and Legislature to instead enact broad-based tax-relief measures, such as reducing personal income and business taxes.

Taxpayer-Funded Political Campaigns

The Executive Budget once again proposes a public campaign finance program that erroneously purports to solve public corruption problems in New York State. Unshackle Upstate continues to strongly oppose the use of New Yorkers' hard-earned tax dollars to pay for political campaigns. In November 2013, we issued a white paper titled *Money for Nothing – Why Taxpayer-Funded Political Campaigns are Wrong for New York State*. Our report identifies significant flaws with proposed election reforms that some advocates claim "will change the way politics works in Albany." Using taxpayer dollars to pay for political activities is

inappropriate, a waste of money, and (as it has done in New York City) will only create more opportunities for corruption, waste and abuse.

Project Labor Agreements on Design Build

Since its initial authorization in 2011, Unshackle Upstate has been a vocal proponent of design-build in New York State. While we enthusiastically support the Governor's proposal to expand and permanently extend design-build, mandating the use of Project Labor Agreements (PLAs) on projects over \$50 million is a poison pill and effectively negates all of the benefits of design-build use. It is also worthwhile to note that no other state that authorizes the use of design-build requires PLAs.

Minimum Wage Increase

The budget proposes to increase the state's minimum wage to \$10.50 an hour and New York City's minimum wage to \$11.50 an hour. Just two years ago, New York State approved a graduated increase in the state's minimum wage that would bring it to \$9.00 per hour by the end of 2015. This incremental increase was designed to allow for small businesses to appropriately prepare for changes to their payroll. Unshackle Upstate rejects any effort to change the minimum wage law prior to the full implementation of the current law.

Wireless Telecommunications Tax

The Executive Budget proposes extending an existing tax -- the § 184 utility gross receipts tax and the MTA surcharge -- to wireless communications providers, which will cost taxpayers some \$42 million annually. New York's wireless consumers already face a combined (federal/state/local) tax rate of 23.56 percent -- the third highest in the nation. This is also nearly three times the sale tax rate that consumers pay on most other goods and services. We note that in addition to being excessive, such taxes are also regressive. The state should not single out wireless telephone consumers in order to generate new revenue.

Increased Restrictions on IDAs

The Executive Budget proposes to place additional overreaching government oversight and onerous reporting requirements on the state's Industrial Development Authority (IDA) program which will potentially result in the delay and loss of numerous economic development projects across New York State. Unshackle Upstate has consistently supported local stakeholder input in economic development matters and this proposal would effectively strip that local authority by requiring additional approvals by Empire State Development and state Department of Taxation & Finance.