



Testimony of Andy Morrison, Associate Director of New Economy Project

Before the New York State Senate Standing Committees on Finance, Commerce, Economic Development and Small Business, and Investigations and Government Operations

Joint hearing to review the effectiveness of business subsidies and tax incentives in meeting New York State's economic development goals

*January 14, 2022*

Chairs Krueger, Kaplan and Skoufis and committee members, thank you for the opportunity to testify at today's hearing on behalf of New Economy Project, a New York City-based economic justice organization. New Economy Project's mission is to build an economy that works for all, based on cooperation, equity, social and racial justice, and ecological sustainability. For more than 25 years, we have worked closely with community groups across New York City and State to address inequities in our financial system and economy – from predatory mortgage lending and foreclosures to abusive debt collection and barriers to fair banking access – that perpetuate segregation, poverty and inequality.

New York's approach to economic development desperately needs a reboot. We spend billions of dollars annually on wasteful corporate subsidies and tax giveaways – in the process diverting much-needed resources from higher education, transit, health care and other investments that would advance equity and economic opportunity in low-income neighborhoods and communities of color. [Research shows](#) so-called financial incentive programs have little to no impact on job creation or business location. Tax breaks, like [New York's notorious 421-a boondoggle](#), regularly fail to deliver public benefit, while further enriching wealthy developers. [Massive subsidies to fossil fuels](#) and other destructive industries undercut our state's fundamental public policy goals, such as addressing climate change.

In the face of multiple interlocking crises, from health and housing insecurity to widening racial inequality and climate collapse, New York's economic development policies must promote systemic solutions that bring about shared prosperity, racial and social justice, and ecological sustainability.

The NYS Community Equity Agenda coalition, of which New Economy Project is a member along with nearly 50 organizations representing tens of thousands of New Yorkers across the state, has proposed an ambitious “[community wealth-building](#)” platform that promotes cooperative and community-led development and self-determination, while laying groundwork for a just recovery from the pandemic (see attached). We urge the NYS Senate to take the following actions this session, to transform New York’s approach to economic development.

## **I. Strengthen NY’s Community-Controlled Financial Institutions**

Community Development Financial Institutions (CDFIs) – such as community development credit unions and loan funds that serve low-income people and small businesses – stimulate economic development in historically-redlined neighborhoods by providing responsible loans and financial services. With 83 CDFIs serving every county, New York has the second highest concentration of CDFIs in the nation. [From 2003-2018](#), New York CDFIs provided \$4.3 billion in loans to New Yorkers, creating 53,718 affordable housing units, supporting the start-up and expansion of 73,137 small businesses and micro-enterprises, and creating 64,980 jobs. CDFIs have played an outsized role during the pandemic delivering PPP funds, making emergency loans, and much more to shore up New Yorkers of color, Black- and immigrant-owned small businesses, and others hard-hit by the crisis.

In 2020, New York State finally funded the NYS CDFI Fund, the first state-based fund of its kind, to boost CDFIs’ capacity to expand their infrastructure and deliver responsible financial services and loans to more underserved low-income New Yorkers and neighborhoods. This was a major victory for the NYS Community Equity Agenda and others, who fought for more than a decade to win capitalization of the fund. New York’s allocation of \$25 million over five years is a good start, but it is a drop in the bucket compared to massive subsidy deals like the recent Plug Power project in Genesee County, [estimated to create 68 jobs at a record-breaking public cost of \\$4 million per job](#).

**We urge the Governor and Legislature to allocate at least \$100 million in this year’s budget to the NYS CDFI Fund.** Because [CDFIs leverage every grant dollar with at least 12 additional dollars from other sources](#), appropriating \$100 million to New York’s CDFI Fund this year would help leverage more than *\$1.2 billion* in direct lending and services in low-income communities and communities of color statewide.

## **II. Establish Public Banks to Invest in Community Needs**

Public banks are lending and depository institutions created by governments and chartered to serve the public interest. Through public banking, local governments can leverage public funds to stimulate local economic development, including by partnering with CDFIs and others to expand financial services and lending in historically-redlined communities. [More than 900 public banks](#) have long existed in diverse countries and economies worldwide, [from Costa Rica and](#)

[Chile to Germany and beyond](#). Public banks play important roles investing in small businesses, renewable energy and other sectors, and have enabled governments to [respond quickly and effectively during the COVID-19 crisis](#). Here in the U.S., for example, the century-old Bank of North Dakota [was credited with helping North Dakota small businesses secure more PPP loans, per capita, than small businesses in any other state](#).

**We urge the Governor and Legislature to enact the “New York Public Banking Act” (S1762A/A8290), which creates a safe and appropriate regulatory framework for New York cities, counties, and regions seeking to establish public banks.** [More than 150 labor and community groups](#) and dozens of legislators from across the state support the measure, which would pave the way for local public banking in New York.

### **III. Expand Democracy in the Workplace**

New York State is home to a strong and growing network of worker cooperatives – businesses that are democratically-owned and controlled by workers. Employee ownership [has been shown to create and preserve sustainable, living wage jobs](#), and represents a vastly underutilized economic development tool.

**The Governor and Legislature should take action this session to expand worker-owned businesses**, including by facilitating the transition to employee ownership of businesses at risk of closing or being sold, and funding training and technical assistance across the state. A 2017 report by then NYC Public Advocate Letitia James [estimated that 3,700 New York businesses close each year due to the owner’s retirement, leading to a loss of 13,260 jobs annually](#). These are just some of the jobs that can be preserved by converting existing businesses to worker ownership – at much lower cost to the state than existing incentive programs.

### **IV. Advance Housing As a Human Right**

New York must take bold action to address root causes of housing insecurity and homelessness, by investing in permanently affordable, tenant- and community-controlled housing. Across the state, groups are working to remove land and housing from the speculative market, through community land trusts (CLTs) and other vehicles. CLTs are democratically-governed nonprofits that own and steward land for the public good, and [ensure that housing and other development on the land remain affordable in perpetuity](#). CLTs are uniquely effective at preserving public investment in affordable housing and [preventing evictions and foreclosures during economic downturns](#).

**We were pleased to see CLTs and social housing prioritized in the Governor’s Five-Year Housing Plan. We further urge the Governor and legislature to pass the Tenant Opportunity to Purchase Act (S3157/A5971) to [give tenants and nonprofits a first right to purchase buildings](#) and operate them cooperatively in their shared interest; and the Fair Taxation**

for Community Land Trusts Act (S6326A/A7930), to enable CLTs to reach deeper affordability levels needed to meet housing need across the state.

While we work toward affirmative solutions that give communities control of land and housing, New York must keep people safely housed by passing Good Cause Eviction legislation (S3082/A5573) and extending the eviction moratorium, which is unconscionably set to expire in the midst of winter and an ongoing pandemic.

#### V. **End Redlining and Racial Wealth Extraction**

We cannot expect to make sufficient progress on community wealth building without addressing redlining and systemic wealth extraction, which remain pervasive in New York and perpetuate long-standing racial wealth inequality. During the first year of the pandemic alone, banks siphoned \$1.8 billion in fees from struggling New Yorkers, [according to our analysis](#). Of this sum, \$1 billion came from predatory overdraft fees, which [hit banks' lowest-income account-holders](#) often pushing them out of the mainstream financial system. At the same time, banks continue to systematically exclude Black, brown and immigrant New Yorkers, exacerbated by the [ongoing closing of bank branches in communities of color](#) and by the gross racial disparities in the distribution of Paycheck Protection Program funds and other relief. Meanwhile, fringe and predatory financial companies — including check-cashing outlets and financial technology (“fintech”) companies — fill the void, exploiting low-income and immigrant New Yorkers and New Yorkers of color.

**The Governor and Legislature must strengthen state consumer protection laws as a matter of racial and economic justice.** New York lawmakers must actively fight against ongoing efforts by online lenders and other financial technology (“fintech”) companies to erode or evade our strong state interest rate caps and other consumer protections. The Governor and Legislature must also enact laws, such as the Consumer and Small Business Protection Act (S2407C/A679C), that strengthen New Yorkers’ ability to challenge systemic wealth extraction.

Thank you again for the opportunity to testify today.

# A COMMUNITY-LED RECOVERY FOR NEW YORK:

## 5 BOLD PROPOSALS FOR RACIAL JUSTICE & ECONOMIC DEMOCRACY IN 2022



The New York State Community Equity Agenda is a broad-based coalition of more than 40 organizations committed to fighting for a just economy and to building institutions that are led by and support Black, brown, and working class communities. Our coalition believes that New York must pursue community economic development that creates infrastructure for building wealth, power, resiliency, and self-determination, in historically-redlined communities.

Our priorities for 2022 include concrete actions that New York policymakers can and must take right now to lay critical groundwork for a just recovery and future rooted in racial and social justice, workers' rights, cooperation, and ecological sustainability.

### Establish Public Banks to Invest in Community Needs

Public money should be used for the public good, but the reality is that our public dollars in New York – totaling in the billions – are deposited in massive Wall Street banks. These are the very banks that have redlined Black and brown communities, profited off of the COVID-19 crisis, and fueled the climate crisis, among many other harms. A powerful grassroots movement has emerged in New York, as groups demand the creation of public banks across the state. We are pursuing a vision of local public banking in which communities determine how public banks will best meet their local needs. Through public banking, local governments can divest from Wall Street, expand financial services in redlined communities, and invest in small and worker-owned businesses, deeply-affordable housing, renewable energy, infrastructure, and other critical needs.

#### ACTION NEEDED:

- 👉 The Governor and Legislature must enact the NY Public Banking Act (S1762A/A8290), which creates a safe and appropriate regulatory framework for New York cities, counties, and regions seeking to establish public banks.

### End Redlining & Other Racial Wealth Extraction

Redlining and systemic wealth extraction remain pervasive in New York, and perpetuate long-standing racial wealth inequality. Mainstream banks continue to systematically exclude Black and brown and immigrant New Yorkers, exacerbated by the ongoing closing of bank branches in communities of color and by the gross racial disparities in the Paycheck Protection Program. Meanwhile, fringe and predatory financial companies – including check-cashing outlets and financial technology ("fintech") companies – fill the void, exploiting low-income and immigrant New Yorkers and New Yorkers of color. This must change.

#### ACTION NEEDED:

- 👉 The Governor and Legislature must strengthen state consumer protection laws as a matter of racial and economic justice. New York lawmakers must actively fight against any efforts to weaken our strong state interest rate caps – including our 25% criminal usury cap – and should in fact make them stronger.
- 👉 The NYS Department of Financial Services and the Attorney General must stand firm against financial technology ("fintech") companies that seek to erode and circumvent regulations – including New York's strong usury laws, which serve to ban predatory payday lending in our state.
- 👉 The NYS Department of Financial Services and the Attorney General must crack down on pervasive redlining and other forms of racial wealth extraction around NYS. They must publicly document and expose racial discrimination in our financial system, and engage in bold enforcement of state and federal fair housing and fair lending laws.
- 👉 The Governor and Legislature must enact laws, such as the Consumer and Small Business Protection Act (S2407C/A679C), that strengthen New Yorkers' ability to challenge systemic wealth extraction from marginalized communities.

## Strengthen NY's Community-Controlled Financial Institutions

The Equity Agenda won an unprecedented \$25 million for New York-based Community Development Financial Institutions (CDFI) in 2020, securing critical support for New York's mission-driven, neighborhood-based financial institutions. By further investing in and expanding CDFIs — community development credit unions and loan funds that serve

low-income people and small businesses, particularly in historically-redlined neighborhoods and communities hardest-hit by COVID-19 — New York will create good jobs, develop and preserve deeply-affordable housing, promote equitable financial services that build community wealth, and democratize the financial system.

### ACTIONS NEEDED:

- The Governor and Legislature must allocate \$100 million or more in this year's budget to the NYS CDFI Fund for capital grants to expand community-controlled financial institutions and finance a just recovery rooted in racial justice and economic democracy.
- In addition to the new allocation, the Governor must immediately distribute the remaining \$20 million of the \$25 million allocated to the NYS CDFI Fund in 2020. New York should replicate the federal Rapid Response CDFI program in the making and distribution of NYS CDFI Fund grants, for all committed and 2023 funds.
- By passing the New York Public Banking Act this session, New York will strengthen and expand community-controlled financial institutions statewide. Local public banks can partner with credit unions and other financial institutions to drive responsible lending in historically-redlined communities.

## Expand Democracy in the Workplace

New York has a historic opportunity to empower workers and communities by supporting and expanding worker cooperatives. The COVID crisis has illuminated the need for greater protections for all New York workers, especially

low-wage, immigrant, Black, and brown workers. Many workers have been forced to choose between their safety and their income, while millions of others have lost jobs due to layoffs and small business closures. At the same time, New York will continue to experience significant job losses, as older small business owners close their businesses upon retirement. When workers own their business together and make decisions in their shared interest, they gain greater control over their working conditions, higher pay, generational wealth-building opportunities, and increased resilience to economic downturns and disruptions.

### ACTION NEEDED:

- The Governor and Legislature must enact legislation to help workers purchase businesses at risk of closing or being sold and to help educate small business owners on the benefit of cooperative conversions.
- Implementation of New York's historic cannabis legalization law must prioritize the development and inclusion of worker cooperatives in the cannabis industry, as a key step to ensuring equitable benefits to communities hardest hit by both the war on drugs and the pandemic.
- This year's budget must provide funding for place-based cooperative development organizations across the state. Increasing the capacity of these local organizations is essential to developing robust worker cooperative ecosystems in all regions of New York. Similarly, New York must take action needed to eliminate pervasive barriers to financing faced by worker cooperatives.

## Advance Housing as a Human Right

As the pandemic has driven home, New York's housing crisis is a public health crisis and housing justice is an issue of racial, immigrant, and economic justice. We believe that New York must transform our housing system based on principles of racial and social equity, community, and economic democracy. The NYS Community Equity Agenda stands in solidarity with the Housing Justice for All campaign and NYS Community Land Trust Coalition in the fight to end evictions and create permanently-affordable social housing through tools like community land trusts (CLTs).

### ACTION NEEDED:

- The Governor and Legislature must enact the Tenant Opportunity to Purchase Act (S3157/A5971). TOPA allows tenants to collectively purchase their buildings and operate them cooperatively in their shared interest.
- The Governor and Legislature must enact the Fair Taxation for Community Land Trusts Act (S6326A/A7930), which would ensure equitable treatment of CLTs and enable CLTs to provide even more deeply-affordable housing across the state.

Learn more: [www.equityagendany.org](http://www.equityagendany.org)