



Testimony to

**Senate Finance Committee and Assembly Ways and Means
Committee**

SFY 2022-23 Executive Budget: Economic Development

Presented by

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My name is Paul Zuber and I am Executive Vice President of The Business Council of New York State, Inc. We are New York's largest statewide employer association, representing approximately 3,500 private sector employers across New York. Our membership is a diverse group of businesses from all sectors of the economy ranging from large scale employers, minority and women-owned businesses, entrepreneurs and small business owners. Presently, seventy percent of our 3,500 members would be defined as a small business.

We appreciate this opportunity to submit testimony to the Joint Legislative Budget Hearing on economic development issues.

It is amazing when you look back to this time last year and the uncertainty New Yorkers faced. We were uncertain if or when the pandemic would end. We were uncertain about vaccines and if they would allow us to lift some of the necessary mandates that put a stranglehold on our economy and our lives. We were uncertain as to what aid the federal government would provide and if it would be enough to fill the holes in a budget that, at the time, had a projected four-year budget gap. We were also uncertain about our daily lives such as how we would educate our children, when or if our employees would go back to in-person work, how our businesses would adjust to what was becoming the new normal and how our businesses would adjust to changing consumer habits because of COVID-19.

We sit here today with a completely different outlook from last year. The vaccines have provided the ability to move the economy forward and aid from the federal government has filled many of the financial holes created by the COVID-19 pandemic. Although the pandemic has not ended, our economy is getting stronger and now we are discussing a budget with a significant surplus as well as a forecast that projects surpluses for the next five fiscal years.

So what is next for the business sector? Although things are brighter, we still are faced with the challenges of COVID-19 and the new normal it has created. Our businesses are facing the challenges of this new normal in relation to their employees and how to operate their business. We applaud Governor Hochul on her efforts to keep us safe. Keeping employees and customers safe is something our members take with pride and care. But it is hard on our small businesses and The Business Council has tried hard to work with this administration in providing detailed and up-to-date information to help guide them during the pandemic. Although help has come from many different areas, there has been a strain on our small businesses. The realization of that this budget has focused on businesses harmed by the pandemic, especially small businesses, is a relief. Thus as we move forward The Business Council embraces many of these budget proposals and we implore the Governor to continue to take a long look at restructuring state-mandated COVID paid sick leave.

It is often that we, and others, will sit here and provide an equally long list of items we support and oppose. This year it the list of items dramatically skews towards items we support. Some with modification but by and large there are many proposals in this budget that provide our members with the necessary relief and support to continue to build back New York's economy. For our members workforce development will be a major issue moving forward as business strive to grow and maintain their workforce under the new normal.

There are a number of proposals that help support this need including \$350M in funding that the Governor has proposed for workforce development. The Governor's budget also looks to expand opportunities for many seeking to enter the workforce. We support many of these measures and we hope that the Governor and legislature will consider as part of the final budget Assembly Bill 9171 (Joyner) which creates a workforce opportunity tax credit. The workforce opportunity tax credit is designed promote the hiring of those most in need of an opportunity such as formerly incarcerated individuals, those receiving supplemental assistance and those living in empowerment zones or rural renewal counties. These types of programs our important to our members and many of our larger members continue to take the lead on workforce development and providing opportunities to those most in need of an opportunity.

Additionally, we praise the Governor for her efforts to support small business. As stated, seventy percent of our 3500 members are small business and this group was hit hardest by the COVID pandemic. Helping these businesses move forward is a key to New York's continued economic growth. Many of our members also see the

continued support of New York's MWBE program as a key economic driver. We realize that support for MWBEs must come both ways, it must come from the private and the public sector. That is why many of our members have been key partners in supporting supplier diversity. Members such as AT&T, Microsoft, IBM, Johnson & Johnson, Exelon, Bank of America and JP Morgan Chase have shown their commitment by participating in the BillionDollar Roundtable (<https://www.billiondollaroundtable.org>). The BillionDollar Roundtable is a select group of companies that spend over \$1B on minority suppliers. For our members creating a strong MWBE community is something they strongly believe in and The Business Council continues to add MWBEs to our membership. We strongly support the additional funding in the budget to streamline and make the certification process for MWBEs more efficient and we hope that the legislature and the Governor look at additional legislation to support our MWBEs. In particular, we hope that language is added that would continue to provide more transparency to help protect our MWBEs.

As the pandemic has shown, the need for broadband access is more important than ever. The Business Council supports and applauds Governor Hochul's ConnectALL Broadband plan, but we urge smart use of funding and partnerships with private companies who have the expertise and skilled workforce to deliver and maintain secure networks. The question one must pose is do we want our local governments running the Internet? These types of questions can be alleviated with a smart plan utilizing partnerships with private companies. It should also be noted that our members, such as AT&T, Charter and T-Mobile, participate in a new federal Affordable Connectivity Program to help lower income New Yorkers afford connectivity, and we applaud the Governor for directing resources to help families sign up for this benefit.

Finally, there are two remaining issues we would like to discuss that we see as vital to the continued growth of our economy by creating jobs, supporting small businesses and creating opportunities for MWBEs. First, we strongly support proposed legislation that would authorize the Location Siting Board to issue a request for application for the three remaining casino licenses. This legislation will have a dramatic impact on our economy and New York's ability to fully fund many of the programs that are important to our State. It is estimated that license fees alone from this proposal could range between \$1B to \$2B. The development of these casinos would also have a significant impact on employment and MWBE opportunities. The hospitality sector of our economy was devastated as a result of the pandemic, the jobs created this proposal would help those who lost their jobs in this industry as well as create additional construction jobs. Our MWBEs would also benefit from this proposal with the creation of opportunities for these businesses with the construction and ongoing operation of the facilities.

The second issue we would like to raise is what we term as ABC Law reform. We applaud Governor Hochul's initiative to streamline the application process at the State Liquor Authority and to make a significant change in the ABC Law by allowing cocktails to go. But what we see with these initiatives, in particular cocktails to go, is an opportunity to reform the archaic ABC Laws. There are many laws that have been on the books since prohibition. Times have changed, cannabis not too long ago was thought in a different way. Society changes as does consumer taste and how our consumers buy products. It is time we modernize our ABC Law to help create jobs both within the retail sector of economy as well as with our New York State wine and distilled spirits producers.

The Business Council applauds Governor Hochul for her thoughtful and expansive budget that utilizes federal aid and tax revenue to support businesses as we slowly move past this pandemic. Many of the proposals in the Executive Budget will have a significant impact on our businesses and the New York economy. We also hope that the Governor and the legislature consider some of the additional items highlighted in this testimony that we believe could provide additional benefits to New York.

Again I would like to thank you for the opportunity to provide testimony to the Joint Budget Hearing and I look forward to working with all the members on a final budget submission. Please feel free to contact me if you have additional questions.

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Business Council Supports the Following Initiatives:

The Business Council supports the inclusion of the following items with some modification.

- Workforce Development - As New York's economy gets back on its feet the need for a strong and stable workforce is vital to our economy. The Business Council strongly supports Governor Hochul's proposal to advance meaningful job opportunities through a \$350M workforce development initiative and a new Office of Workforce and Economic Development at Empire State Development. The inclusion and coordination of the State's Regional Economic Development Councils, Department of Labor, State University of New York, City University of New York and other State agency stakeholders will help to develop a robust workforce development program that will help many of our members meet their workforce needs in the future.
- MWBE Reform - Many of our large scale employees are strong supporters of New York's MWBE program. In fact, several of our members are part of the Billion Dollar Roundtable which only includes business that have spent over \$1B with minority suppliers. Although these businesses understand the importance of MWBEs and how they help grow our economy, they understand more needs to be done on the state level to ensure continued growth. Thus our members are strongly in support of Governor Hochul's initiative to provide increased funding of up to \$11M to improve the State's MWBE program. Presently there is a backlog of applications before the Division of Minority and Women Owned Businesses, this funding will help with the timely and efficient review of MWBE certifications. We also support the Governor's proposal to establish a new unit within Empire State Development dedicated exclusively to processing administrative appeals, including challenges made by businesses who have been denied MWBE certifications. These proposals are a start but The Business Council would ask that consideration be given to legislation that would strengthen the MWBE program in New York. We must remember that MWBEs are a vital part of our economy and strengthening these mostly small businesses helps our economy grow and create jobs. The Business Council would also ask that the legislature and Governor Hochul consider inclusion of legislation that increases transparency and ensures that certified MWBEs are indeed working on a state financed projects. Additionally, COVID-19 has placed a burden on all businesses financially but like many businesses, MWBEs have been stretched financially with debt. The Business Council would also support increased grant programs for MWBEs.
- Workforce Opportunity Tax Credit (A.9171 (Joyner)) - The Business Council supports this legislation to be included in the final budget submission. The legislation would promote the state's interest in bringing additional persons into the workforce, by providing an incentive for the hiring of persons in one of ten targeted groups that face barriers to employment by building on the federal Work Opportunity Tax Credit, or WOTC, originally adopted in 1996, and recently extended until the end of 2025. It should be noted that there is no comparable credit offered at the state level. By adopting the credit it would make the hiring incentive available to all New York employers. Importantly, to maximize its impact, the state WOTC credit will be refundable, meaning if the credit exceeds tax liability, the excess will be refunded as an overpayment of taxes (in contrast, the federal WOTC is subject to carry-forward rules, meaning that its full value may not be realized by the employer for years). The credit is designed to promote the hirings of:
 - the formerly incarcerated or those previously convicted of a felony;
 - recipients of assistance for families with dependent children under part A of title IV of the Social Security Act (SSA);
 - veterans, with an increased credit for disabled veterans;

- residents in areas designated as empowerment zones or rural renewal counties;
- individuals referred to an employer following completion of a vocational rehabilitation plan or program;
- Summer Youth Employee participants;
- individuals whose families are recipients of supplemental nutrition assistance under the Food and Nutrition Act of 2008;
- recipients of supplemental security income benefits under title XVI of the SSA;
- Long-Term Family Assistance Recipient; and
- individuals experiencing long-term unemployment, who have exhausted their 26 weeks of regular benefits.

However, available data shows that New York underutilizes this federal incentive program. New York's ratio of WOTC-certified employees to populations is the lowest of the 18 states with the largest number of WOTC certified employees, including Texas, Ohio, Illinois, Pennsylvania, North Carolina, Michigan, Wisconsin and Maryland, among others.

- Authorization of Three Remaining Casino Licenses S.8009/A.9009, Part CC - The Business Council strongly supports this proposal that would authorize the Location Siting Board to issue a request for application for the three remaining casino licenses authorized by the New York State Constitution. The economic implications of proposal is enormous. Our hospitality industry was probably one of the hardest hit during COVID-19. The loss of jobs was immense and some may never come back. But casino development can help alleviate some of those concerns by creating thousands of good paying union jobs both in hospitality and construction. Additionally, MWBEs would benefit from this proposal by having the opportunity for significant businesses opportunities with the construction and ongoing operation of these facilities. Finally, the estimated license fees alone would help create additional revenue that could be utilized to fund many needed projects or programs in coming years.
- Small Business COVID-19 Capital Investment Credit (S8009/A9009 Part E) - Our small business members are desperately trying to recover from the economic impact of COVID-19. The bill would provide a refundable credit to small businesses with \$2.5M or less in gross receipts that incurred qualifying COVID-19 capital costs from January 1, 2021 through December 31, 2022.
- Income Exclusion (S.8009/A.9009, Part C) - This legislation would provide tax relief to small businesses by increasing the subtraction modification from five percent to 15 percent of net business income and expanding the benefit to include pass-through entities with less than \$1.5M state-source gross income. It is estimated that this proposal will aid 195,000 small businesses.
- Farmer Employer Credit (S.8009/A.9009, Part B) - This bill would enhance the investment tax credit for farmers for property used in farming and agriculture, increase the farm workforce retention credit from \$600 to \$1,200 per eligible employee and extend the credit for an additional year through tax year 2025, and create a new tax credit for New York State farmers to be called the Farm Employer Overtime Credit. The Business Council would also propose a similar tax credit for manufacturing related to green investments & products, COVID essential materials, and production restoring.
- ABC Reform - Governor Hochul has proposed a number of initiatives in the budget that would make significant changes to the alcoholic and beverage control law and/or the operation of the State Liquor Authority. First and foremost, Governor Hochul's proposal to streamline the licensing process and provide additional funding for licensing is a much needed change. It is also important that Governor Hochul, in proposing cocktails to-go, understands that the current ABC Law is fundamentally flawed. The Business Council believes that this budget should include changes to the ABC Law that would amend archaic provision that only hinder economic development. These archaic laws not only hinder economic development, they hurt the consumer whether by price or convenience. It is unbelievable to think that in several short years of advocating for the much needed cannabis law that a cannabis retailer is likely ahead of some alcohol retailers who are still dealing with laws that

have not changed since the end of prohibition. The lack of reform hurts small businesses and it hurts the ability to grow our New York wines and distilled spirits. The Business Council would ask that the legislature and the Governor consider significant reform of the ABC Law.

- Unemployment Insurance - An item that was not in the proposed budget is funding that would offset the growing unemployment insurance fund debt. The unprecedented spike in unemployment in 2020, driven by state-mandated office closings in response to the COVID pandemic, drove New York's unemployment insurance fund deep into the red, currently with more than \$9 billion in federal loans. Under current New York State law, the entirety of that \$9 billion will be repaid through increased payroll taxes on employers, with these high federal and state payroll taxes likely lasting the rest of this decade, or beyond. We strongly recommend that New York follow the example of thirty-two other states that have already acted to use some of their federal COVID relief funds to alleviate UI tax burdens on their in-state employers. Doing so will provide valuable relief to businesses across New York State still recovering from the national recession and still dealing with the ongoing pandemic.
- ConnectALL - The Business Council supports and applaud Governor Hochul's ConnectALL Broadband plan, but we urge smart use of funding and partnerships with private companies who have the expertise and skilled workforce to deliver and maintain secure networks. The question one must pose is do we want our local governments running the Internet? These types of questions can be alleviated with a smart plan utilizing partnerships with private companies. It should also be noted that our members, such as AT&T, Charter and T-Mobile, participate in a new federal Affordable Connectivity Program to help lower income New Yorkers afford connectivity, and we applaud the Governor for directing resources to help families sign up for this benefit.
- Funding for Small Businesses of the Future - Capital and venture debt awards to emerging small businesses in the innovation sector, including minority-and-women-owned companies often overlooked by venture investments.
- Seed Funding for Small Business - A \$200 million flexible grant program for early-stage businesses recently opened despite the COVID-19 pandemic.
- Small Business Lending Initiative, which will provide reduced interest rate and accessible loans to expanding small businesses.

Executive Budget provisions of concerns:

- Expanded Producer Responsibility (S.8008/A.9009, Part RR) - We strongly oppose this legislation that would shift all financing and operational responsibilities for municipal source separation and recovery programs to the private sector and newly created producer responsibility organizations. This proposal's cost has been projected at \$900 million or more annually. New York's solid waste management programs are well advanced compared to other states but have seen little additional investment in recent years. We believe more targeted reforms, including funding and other incentives for secondary material market development, will produce significant improvements in program outcomes at far lower costs to New York businesses and consumers. We note that the level of EPF resources dedicated specifically to secondary material market development has dwindled, to just \$200,000 in FY 2021 and 2022, down from \$1 million as recently as FY 2017 (secondary market development funding peaked at \$10.25 million in FY 2003).
- Elimination of the S-Corp Election (S.8009/A.9009, Part R) - The Business Council opposes legislation requiring all S corporations at the federal level to be treated as such for state franchise tax purposes.