Statement on January 14, 2022 Senate Hearing to Review the Effectiveness of Business Subsidies and Tax Incentives to Meet New York's Economic Development Goals

January 13, 2022 Ron Deutsch, NYFF (518) 469-6769
Common Cause/NY, Fiscal Policy Institute, League of Women Voters of New York State, New York Public Interest Research Group (NYPIRG). New York State Council of Churches, New Yorkers for Fiscal Fairness (NYFF), Reinvent Albany, Strong Economy for All Coalition

We applaud Senator Krueger and her colleagues on the Senate Finance Committee for holding a hearing to review the effectiveness of business subsidies and tax incentives to meet New York's economic development goals. It is long past time that we take a hard look at the efficacy of these programs.

New York State and its local governments currently spend in the neighborhood of $10 billion annually on a broad array of economic development programs throughout the state. There are dozens of different programs that provide a myriad of benefits in the name of job creation and economic growth, with results that are very far from clear.

We believe the state's heavy reliance on tax incentives as an economic development strategy is a misguided approach. Instead the state should **reevaluate reform and redefine** our economic development system. And this hearing is a step in the right direction.

After decades of the same approach, job-creation results have been meager, political scandals have been in abundance, and transparency and accountability issues have not been substantively addressed, despite repeated media coverage and more than a few indictments. This lack of accountability masks the failings of these development programs.

To successfully evaluate these incentives, New Yorkers should have access to a comprehensive Database of Deals (Comrie S.5711) that provides transparency and accountability for the myriad of business subsidy programs. This should be a companion to the programs' own reporting requirements, which often are ignored. In a May 2017 audit, NYS Comptroller DiNapoli found ESD failed to meet more than half of the reporting requirements for tax credit and job creation programs, including independent evaluations of the efficacy of economic development programs, general overviews, and program-specific reports.

Numerous studies have pointed to the failings of these programs. A report from the independent W.E. Upjohn Institute for Employment Research analyzed tax incentives for economic development during 2015 and concluded that New York's were the most-expensive — and second-least effective — nationwide. A detailed study of New York's business tax credits, prepared in 2013 by economists Donald Boyd and Marilyn Rubin for the Tax Reform Commission empaneled by Governor Cuomo, firmly stated that "there is no conclusive evidence from research studies conducted since the mid-1950s to show that business tax incentives have an impact on net economic gains to the states above and beyond the level that would have been attained absent the incentives."

Rather than chasing smokestacks or throwing tax cuts at business, we need to redefine the state's economic development policy to be focused on smart investments that improve the economic climate. We must acknowledge that what ultimately makes for the best business climate is investments in public schools and institutions of higher education, labor force development, childcare, home-care, affordable housing, transportation, parks, and other infrastructure that build a skilled labor force and attract business owners and workers based on quality of life. It is these fundamentals that will make the biggest difference in whether or not New York State is an attractive place for employers to locate and employees to live. What we typically call "economic development" is in the end marginal to what makes New York an attractive place to do business.