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What's the Return on Investment for New York's Economic Development Efforts?

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March 23, 2015

New York State's economic development programs have long been the subject of debate because it is difficult to measure the benefits they produce. Are the State's considerable investments worthwhile? Although their political value is clear, their economic value is not.

The latest focus of debate is Governor Cuomo's budget proposal to spend $1.5 billion of the state's windfall from bank settlements on an "Upstate Revitalization" competition among seven upstate regions, including Central New York. The idea of a competition has sparked comparisons to "The Hunger Games" with some questioning whether regions should be pitted against one another to bid for resources. But a more fundamental question is whether such significant additional spending on economic development programs makes good use of the one-time windfall.

A recent report by the Citizens Budget Commission titled Bigger Not Better: New York's Expanding Economic Development Programs reviewed a myriad of programs which have increased in cost from $7.0 billion in 2010 to $8.1 billion in 2014. Some improvements have been made, such as the ending of the Empire Zone program and reforming the New York Power Authority's discount power programs, but additional disclosure requirements, accountability measures, and program evaluations are needed before any conclusion can be made about the value of the state's economic development investments.

The new $1.5 billion Upstate Revitalization initiative would be administered through the Regional Economic Development Councils (REDCs) which would submit proposals for the awards and serve as the conduit for project funding. They are also charged with developing and reporting performance metrics for their regions. But so far the strength of the REDCs has been in organizing and focusing on a strategic plan, not in performance management.

Many regions have had difficulty measuring and/or reporting on performance. Lack of timely data and the variety of metrics adopted at the regional or sub-regional levels have hindered reporting. Project-level reporting has also been limited.

Program evaluation is also stymied by the fact that many firms receive more than one type of economic development assistance, and without a combined reporting system, total costs are not calculable. As a result, there is no way to determine the costs and benefits of each project from the information available.

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To improve the cost-effectiveness of the state's large investment in this area, all investments should be coordinated and aligned to regional strategies, performance metrics should be standardized for all programs and across all regions, and more comprehensive disclosure requirements should be put in place so that the costs and benefits of each project can be weighed.

Four years into the Cuomo administration, economic development programs in New York are certainly bigger and, to a modest degree, better. The challenge now is to improve them further. Increased accountability, greater transparency, and more rigorous evaluation would ensure a return on investment that taxpayers could truly value.

Founded in 1932, the Citizens Budget Commission is a research and watchdog organization for all taxpayers and no special interests devoted to enhancing New York's competitiveness through promotion of sound state and local budget and management practices.