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Four Principles for Governor Cuomo's Regional Economic Development Councils

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New York Open for Business is the tag line for Governor Cuomo's economic development agenda, to which he has dedicated his second six months in office. Ten regional councils have been formed and charged to develop strategic plans and to mobilize community resources around them. At stake is $200 million in newly purposed funds for the best plans and access to an additional $800 million from other agencies. Plans are due in November, and the councils are hard at work under the supervision of Lieutenant Governor Bob Duffy. (For a full description of the governor's plans for the regional councils click here.) The governor and lieutenant governor are to be commended for attacking the problem with gusto, but they face sizable challenges in cleaning up New York's economic development efforts. New York's track record is poor -- programs have been mismanaged, unfocused, and failures despite significant investment. To avoid the mistakes of the past the Citizens Budget Commission recommends four principles to govern the operation of the new regional councils.

Tame the Hydra

The organizational structure of New York's economic development agencies is like the hydra from Greek mythology -- a multi-headed creature that grows back heads each time one is cut off. Hundreds of entities at the state and local level dispense incentives that cost an estimated $6.6 billion annually. (See the Citizens Budget Commission's report on the regional councils here.) More than a dozen separate state tax credit programs reduce state tax receipts by $2.5 billion a year. Seven state public authorities and six state agencies spend $1.8 billion annually. Municipalities invest about $1.3 billion annually, and 107 Industrial Development Agencies (IDAs) and New York City expend about $1.0 billion each year.

Into this mix come 10 new regional councils. Although they will tap $1 billion in resources, most economic development expenditures will continue outside their purview. To tame the hydra, the councils should have authority over all state economic development resources, not just a subset. For example, the six, eight, 10, 14, 19, or even 23 IDAs operating in each of the regions should be consolidated into one per region. Discount power programs of the New York Power Authority and the economic development programs of the New York State Energy Research and Development Authority should also be fully folded into the regional councils. (See the Citizens Budget Commission's report on the New York Power Authority's economic development programs here.)

Standardize Performance Metrics for All Programs and Pay Only for Results

One key problem with the State's past economic development programs is that their impact has not been measured. Improving accountability and using metrics to benchmark program performance is a theme of Open for Business. As Empire State Development helps the new councils develop metrics it should make sure that standard performance measures and benchmarks are used in every region. Input and output data -- jobs, wages, and property development -- should be measured the same way. In addition to traditional job measures, true regional outcomes -- personal income, poverty levels, and property value -- should be included. The councils have the opportunity to lead the way to the statewide adoption of the better performance management practices found in other states.

In addition, to fully avoid giveaways, benefits should be paid retroactively based on firm performance. It is encouraging that the Cuomo administration has committed to this principle. Empire State Development President and CEO Kenneth Adams said that "future state subsidies will only go to businesses after they create jobs" at a Crain's Business forum recently.

Improve Transparency With More Comprehensive Disclosure Requirements and a Unified Economic Development Budget

Although the councils' strategic plans and progress reports will be online, more comprehensive reporting is needed. Deal-specific disclosure -- not covered in Open for Business -- is important. In addition, a Unified Economic Development Budget, including tax expenditures, subsidies (including discounted power) and local add-ons should be prepared and released for each region. This would ensure that all tax breaks, appropriations, and subsidies get scrutiny, and would assist in the development of more sophisticated costs to benefits analysis.

No New Net Spending

Funds for the Regional Councils should be generated by reducing unsuccessful current programs. All programs should be re-evaluated before new ones are funded. Given the State's limited resources, difficult economic conditions, and other pressing spending priorities, ineffective programs are not affordable.

New York has a poor record on economic development and job creation. The governor is taking important steps to fix that, and these recommendations would help increase the prospects for success.

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