

## **N.Y. needs to create jobs**

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The state budget stalemate is dragging into its tenth week, and the future of crucial economic development legislation is caught in the quagmire.

One program -- Power for Jobs -- expired on May 15 and was extended through June 2. Another -- the Empire Zone Program -- expires at the end of June and could also be extended. Temporary extension is a mistake, especially when real job creation is so important.

The shortcomings of both Power for Jobs and the Empire Zones are well-documented. Both should be replaced without further delay.

The Empire Zone Program -- started in 1986 to retain and attract jobs in the most distressed areas of the state -- has been altered over the years beyond recognition. Zones have proliferated and no longer correspond to distressed areas, the program's objectives are not measured consistently and numerous audits have shown that recipients of support do not meet their stated employment and investment goals.

As the program has morphed, its costs have grown rapidly, rising from \$30 million in 2000 to \$600 million in 2009. Each zone has a local board that awards and administers the tax benefits, making accounting for the sizable tax breaks nearly impossible.

Last year, the state began to phase out the program; according to legislation adopted then, no new entrants will be accepted after this month. It should now be replaced by the Excelsior program, a new initiative proposed by Gov. David Paterson.

The Excelsior program would stop the practice of giving generous tax benefits to "big box" stores, law firms and other companies that are already here. Instead, it would attract firms in high-technology, manufacturing and financial services that agree to add at least 50 jobs in the state. All tax credits would be awarded based on a standard application and doled out retroactively, based on the prior year's performance.

The Power for Jobs program also should be replaced. It is one of nine economic development programs of the New York Power Authority -- the largest public utility in the nation -- whose mission includes providing subsidized power for economic development. Very little public data is available about the value of benefits being awarded to participating firms, but the Citizens Budget Commission estimates the annual cost of these programs to be between \$479 million and \$640 million.

A joint legislative task force has been examining reforms to the program and a more

permanent extension. The Senate and the governor announced an agreement recently, which increases the power available to economic development deals by ending discount power contracts for residential consumers and replacing them with \$100 million in direct aid to affected rate-payers. Assemblyman Kevin Cahill, D-Kingston, chairman of the Energy Committee, has advanced his own bill to improve the program.

New York's energy prices are among the highest in the nation, reducing the state's economic competitiveness. Although these costs are a real concern for businesses, subsidizing power works against environmental improvement efforts by encouraging consumption rather than conservation.

The state has ambitious goals for conservation and increased use of energy from renewable sources, and a new Power for Jobs program should complement, rather than undermine, these goals. The legislation should include greater provisions for environmental audits to help firms identify areas where they can conserve energy, To improve access to the capital they will need to comply with any recommended changes.

Although the success of any economic development program is hard to measure, New York's programs are particularly opaque. Multiple players muddle the scene and compound the difficulties of making decisions about who and what to assist. This must change if New York is to make better use of its increasingly scarce resources. Both replacement programs should be fit into a larger economic development strategy that identifies overarching goals and includes metrics for assessing the performance of new programs. New Yorkers cannot afford further delay. If New York is to better capture the jobs of the future -- in the fast-growing innovation economy -- it needs a modern set of tools with which to do it.

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