Revitalizing the Cities of Upstate New York

Testimony Presented by Lava Thimmayya
to the
Assembly Standing Committee on Cities
Public Hearing
on
The Tools Necessary to Revitalize the Cities of New York
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I welcome this opportunity to testify on behalf of the Fiscal Policy Institute, on the challenges facing New York's cities. The Fiscal Policy Institute (FPI) is a non-partisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and the economic well-being of New York residents. Founded in 1991, FPI's work is intended to further the development and implementation of public policies that create a strong, sustainable economy in which prosperity is broadly shared by all New Yorkers.

FPI recently issued a report on the *State of Working New York 2003: Unbalanced Regional Economies through Expansion and Recession* which analyzed economic conditions in the state in the current recession and during the last decade. The executive summary of that report is attached.

I believe that this report's findings are very relevant to the subject of today's hearing. Our overall conclusion is that New York State's economy is beginning to recover, but that this recovery will be slow and difficult. We still face an economy that has been weakened by the national recession, the bursting of the Wall Street and dot-com bubbles and the economic devastation wrought by September 11, 2001. These factors have combined to make the rate of job loss over the last two and half years much greater than in the nation as a whole. In western New York the lagging economic performance over the last decade suggests that future economic growth may not bestow significant economic benefits on the region.

In the 1990s, according to Census data, real median family income in the state stagnated—it grew by only two tenths of one percent. Only 6 counties experienced real median income growth rates that were greater than the growth rate at the national level. Poverty rates were also up in every labor market region of the state. The economic performance of the state's metropolitan areas is especially disturbing.

Table 1: Growth in Per Capita Income: How New York's Metropolitan Areas Ranked Among US Metropolitan Areas, 1994-2001

	2001 Per Capita Income	% Change 1994-2001	Rank*
New York City	$39,257	18.7%	26
Dutchess County	32,863	18.0	33
Albany-Schenectady-Troy	32,295	15.8	55
Elmira	26,046	14.7	83
Nassau-Suffolk	42,220	14.4	88
Utica-Rome	24,841	11.4	157
Buffalo-Niagara Falls	28,295	11.2	161
Binghamton	26,077	11.0	169
Syracuse	27,451	10.5	176
Glens Falls	24,333	10.4	179
Rochester	30,345	9.7	193
Newburgh	27,778	9.4	198
Jamestown	22,245	5.7	240
US	$30,897	15.2%	--

Rank out of 263 major US metropolitan areas in terms of growth in per capita income between1994-2001. Universe includes all areas designated as either Metropolitan Statistical Areas (MSAs) by the Bureau of Economic Analysis.
Source: Bureau of Economic Analysis, Regional Economic Information System.

Although New York has the fourth highest per capita income among the fifty states, many of the state's metropolitan areas lag behind the national average. Between 1994 and 2001, most New York metropolitan areas ranked below other U.S. metropolitan areas in per capita income growth. Only five of New York's thirteen metropolitan areas have per capita incomes that are higher than the U.S. average and only three (New York City, Dutchess County, and Albany-Schenectady-Troy) experienced growth rates that were higher than the nation's during this period.

In terms of per capita income growth, most New York metropolitan areas ranked far below other metropolitan areas in the country. For example, out of group of the nation's 263 metropolitan areas, Jamestown ranked 240th in per capita income growth from 1994 to 2001, Newburgh 198th, and Rochester 193rd. Not one of the state's metro areas ranked among the top 25 metropolitan areas nationally, and only New York City and Dutchess ranked among the top 50 U.S. metro areas.

In addition to these economic condition , poor fiscal conditions have exacerbated the distress in New York's cities. Continuing suburbanization has widened the disparity between suburbs and cities and increased the fiscal burden borne by residents because of the increased reliance by governments on property taxes.

The Lewis Mumford Center at the State University of New York at Albany analyzed census data to assess the economic disparity between cites and their suburbs. In 2000, for example, the central city in the Rochester MSA was worse of than the suburbs on almost every indicator.

And as you know, the reduction in state revenue sharing over the last several years has compounded the fiscal problem, resulting in cuts in services, and spending on infrastructure.

Table 2: City-Suburban Disparity Rochester NY MSA

	Central City		Suburb		Central City-Suburb Disparity	
	1990	**2000**	**1990**	**2000**	**1990**	**2000**
Median HH Income	29,572	27,123	48,559	48,983	0.61	0.55
Per Capita Income	15,217	15,588	21,000	23,138	0.72	0.67
% Below Poverty	23.5	25.9	5.8	6.4	4.07	4.02
% College	19.0	20.1	23.9	28.7	0.79	0.70
% Professional	30.7	31.0	35.5	38.4	0.86	0.81
% Unemployed	8.8	10.2	4.2	4.7	2.09	2.15
% Homeowners	44.0	40.2	75.3	75.7	0.58	0.53
% Vacant Housing	7.5	10.8	5.6	5.8	1.32	1.85
Index Score	-1.06	-1.21	1.09	1.47	-2.15	-2.68

Source: Lewis Mumford Center State of the Cities Data, 2000. Available at: http://mumford1.dyndns.org/cen2000/data.html

In the absence of an effective federal urban policy (read neglect), the state needs to step up to the plate to assist cities and their residents. Elements of a New York policy must address a range of intricate policy issues related to: state fiscal relief, affordable housing and urban revitalization, workforce development, transportation, energy costs, and support for community building.

Fiscal relief to cities through an increase in revenue sharing is essential to solving the fiscal crisis in cities. Revenue sharing as percentage of state tax revenue fell from 3.9 percent to 1.4 percent between fiscal years 88-89 and 01-02. In 1998, local government generated 54%of the state's tax revenue while the state accounted for 46 % of it. The comparable figures for the rest of the nation are 39 % and 61 % respectively (New York State Tax and Finance Department).

Affordable housing is critical to the economic and social well being of our cities. The passage of Brownfields legislation provides some relief for congested areas where space constraints limited housing and neighborhood development. High housing cost is a competitiveness issue especially in the downstate region and a new Mitchell-Lama program is long overdue. At the same time we need to preserve the affordable existing housing stock through the preservation of Section 8 housing. We support the view of the Neighborhood Preservation Coalition that housing development be an integral part neighborhood revitalization in New York's cities and that private sector participation be encouraged in neighborhood/community development through economic incentives. In many urban settings there is a need for funding to assist citees clear sites that have rundown and abandoned buildings

In transportation the state should seek to extend the Transportation Equity Act for the 21st Century (TEA 21) for the long term since it is the main source for infrastructure funding. Infrastructure is not only important to economic efficiency but its development is also an important source of jobs in the community. In upstate areas the state should assist metropolitan areas to develop local transit systems which enhance commuting by city residents to jobs being created outside the city. In the downstate area--New York City, its northern counties and Long Island-- a regional approach needs to be taken to address transit needs. The downstate region continues to be crucial to the fiscal and economic health of the state. Both federal and state funding is needed.

New York has failed to achieve the promise of lower prices under electric deregulation. High electric prices in the downstate region are a serious competitiveness problem for business, and a burden on residents in the region. Small businesses are especially vulnerable. Investment capital for generation and transmission (keys to improving supply) appears to unavailable. Energy cost savings programs for business, and a renewed emphasis on energy conservation in state energy policy are required.

As the world economy continues to become more competitive quality and innovation will become even more important in the future. Developing workforce skills is a key ingredient to an economic development strategy that emphasizes quality and innovation in the economy. New York can compete in both these spheres. We have excellent elementary, secondary and higher education systems and a strong R& D base. Thus, education and workforce training should be a key component of an urban economic development strategy. In the upstate area many labor markets face skilled worker shortages, either because they have been absorbed into the workforce or migrated out of the region. The establishment of the Workforce Investment Act (WIA) is an opportunity to change the emphasis of training programs and stress skills upgrading, retraining (including computer technology), and employer specific training that directly meets the needs of business and workers. A special effort must be made to bring these funds within the reach of city residents who should be offered employer specific training. Community colleges can play an important role in linking business to workers in these city communities. There is a need to increase federal funding for the program; currently some of money is being used to fund service infrastructure rather than actual training.

Finally, to enhance neighborhood economic and human development the state must expand its support of Community Development Corporations (CDC's) or similar organizations which are best suited to addressing local community needs. Of special importance is support of community building activities such as child care, job training and health care in poor communities.

Finally, it is important to note that civic leadership and co-operation are important elements of successful urban development and revitalization efforts. In Buffalo, in a study conducted by the Industrial Relations Center, of Cornell University, the authors documented many effective instances of cooperation between management and labor that has contributed to business success.