

Press Release

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Environmental and Fiscal Watchdog Groups Call for Reform of Business Subsidy Programs Inefficiencies and Excess Costs Weaken Empire Zones, Brownfield Cleanup Program, and Industrial Development Agencies

Albany, N.Y.—New Yorkers for Fiscal Fairness, the Fiscal Policy Institute, the Sierra Club, Environmental Advocates of New York and NYPIRG held a press conference today to urge reform of the brownfields cleanup program, the Empire Zone program and industrial development agencies (IDAs).

The groups say that these three business subsidy programs—which will cost taxpayers almost \$2 billion next year—are in desperate need of reform. They are urging elected officials “to restore fiscal and environmental integrity to these programs” by adding accountability measures to ensure that state tax dollars are used efficiently and effectively. Ron Deutsch, executive director of New Yorkers for Fiscal Fairness, said, “People who can’t stand waste and people who care about smart growth agree: New York needs policies that discourage sprawl and require that commitments be honored. We must stop the hemorrhaging of state funds now.”

The advocates said that provisions in each of the programs allow and even encourage sprawl, at the same time that subsidized businesses fall short on job creation and environmental clean up goals. “We need common sense and real accountability now,” said Susan Lawrence of the Sierra Club. “These programs were supposed to bring economic development to depressed areas in need of revitalization. They have become so distorted that they are funding high-end private economic development in greenfields in areas with low unemployment. Until they are fixed, we’re all going to pay—in terms of both higher taxes and lower quality of life.”

Empire Zones

The Empire Zone program has been the subject of much criticism over the last few years. The *Syracuse Post Standard* recently uncovered more abuses in the program as a result of a lawsuit they won allowing for the release of detailed information about the programs grants. A 2004 NYS Comptrollers Office audit of eight Empire Zones found that 47

percent of the businesses receiving benefits through the program did not meet their job creation targets. Almost a quarter (23 percent) of the businesses had actually cut jobs.

Ron Deutsch, executive director of New Yorkers for Fiscal Fairness, said that the program is in desperate need of reform. He said, “Many of the businesses currently in the program received certification under dubious circumstances. It’s time to take stock. If a company fails to create jobs, or if it pays substandard wages, we should reexamine whether it should be receiving subsidies through this program. This common-sense idea requires additional legislative reforms as well as enforcement of the reforms of 2005.”

Susan Lawrence, conservation chair of the Atlantic Chapter Sierra Club said that Empire Zone benefits can and should be allocated in accordance with smart growth principles, to communities with the greatest need for economic development and redevelopment, and where public infrastructure already exists. She said, “These benefits should support the public good of revitalizing cities, older suburban communities, and mill towns—not the destruction of farmland, forests, wetlands, and watersheds. Empire Zone law and regulations should be amended to ensure that all public subsidies promote economic redevelopment across the state while protecting the environment.”

The Brownfield Cleanup Program

Since October of 2003, New York’s landmark Brownfield Cleanup program (BCP) has offered the promise that contaminated properties would be cleaned up and put back into productive use, creating both economic opportunities and improving public health. The current brownfields law provides generous tax credits for both cleanup and redevelopment of brownfield sites.

The governor’s office estimates that the program will cost more than \$1 billion next year, with the vast majority of funds going towards site redevelopment costs, such as the construction of buildings and parking lots. For example, a one-acre site on West 42nd Street in Manhattan is expected to reap \$144 million in tax credits, based on an estimated \$20 million in cleanup costs and \$700 million in development costs.

“As currently structured, the brownfields tax credits are unsustainable. A legislative fix is needed to ensure that New York’s brownfields program is capable of reaching its full potential,” said Tim Sweeney, Regulatory Watch Program Director, Environmental Advocates of New York. “These tax credits are costing the state hundreds of millions of dollars, and in many cases are going to developers of projects that don’t require any added incentives.”

Laura Haight, Senior Environmental Associate of NYPIRG, said, “Left unchecked, the overly generous brownfield tax credits could bankrupt the State of New York. The legislature must adjust the brownfield tax credits to ensure that taxpayer dollars are spent wisely. Remediation tax credits should reflect the law’s preference for permanent cleanups. Redevelopment tax credits should be needs-based, and should reward projects that are consistent with community-based planning efforts.”

Industrial Development Agencies

The 115 industrial development agencies in New York State are supposed to be creating jobs and improving local economies. The law authorizing their activity was allowed to sunset on June 30, 2007 as the legislature adjourned without taking action on the issue despite earlier negotiations. Criticisms of the program abound. A recent report by Jobs with Justice (*Getting Our Money's Worth: The Case for IDA Reform in New York State*) paints a picture of a program not living up to expectations. The report found that companies receiving subsidies promised that 217,000 jobs would be created in 2005, but that the total number of jobs created was actually 79,000, just 36 percent of jobs promised. At the press conference, advocates charged that IDA benefits have been used to move businesses from urban areas to greenfields, and have supported high-end apartment complexes rather than businesses with real job growth for low-income high unemployment areas.

Frank Mauro, executive director of the Fiscal Policy Institute, said, "The law currently governing the operations of the state's IDAs does not include even the bare bones anti-sprawl measures won in the 2005 reforms to Empire Zone law." Mauro pointed to a May 2007 report from Good Jobs First, *Sprawling by the Lake: How IDA-Granted Property Tax Exemptions Undermine Older Parts of the Buffalo/Niagara Metro Area*. Good Jobs First is a national clearinghouse of information on best practices in economic development accountability.

The Fiscal Policy Institute (www.fiscalpolicy.org) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the well being of New York State residents. New Yorkers for Fiscal Fairness (www.abetterchoiceforny.org) fights for state budget and fiscal decisions that meet New Yorkers' needs fairly and equitably. The Sierra Club Atlantic Chapter (newyork.sierraclub.org) focuses on environmental issues facing New York State, promoting conservation through public education and lobbying. Environmental Advocates of New York (www.eany.org) is the state's government watchdog, holding lawmakers and agencies accountable for implementing policy that protects natural resources and safeguards public health. The New York Public Interest Research Group (www.nypirg.org) is New York State's largest student-directed consumer, environmental and government reform organization.

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Attachments:

*Brownfield Cleanup Program charts
Empire Zone Reform agenda
IDA Reform agenda and fact sheet*