

Press Release

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Statewide Coalition Joins Assemblyman Brodsky to Call for an Immediate Moratorium on the Empire Zone Program

Groups Support Brodsky's Bill to Reform the Broken Program

(Albany, NY) Representatives of a statewide coalition today joined Assemblyman Richard Brodsky and his Assembly colleagues in calling upon state leaders to enact major reforms to the state's Empire Zone Program to ensure greater transparency, efficacy and accountability. The groups believe that recent information garnered through FOIA lawsuits and public hearings, combined with the Comptroller's last review, necessitate a moratorium on benefits until the program can be rigorously audited to determine its efficacy.

Assemblyman Brodsky announced that he was introducing a bill to create greater transparency and accountability to reform this beleaguered program. The Assemblyman included many of the proposals the coalition has been calling for. Ron Deutsch, executive director of New Yorkers for Fiscal Fairness, agreed with the Assemblyman and supported his bill. "For the past decade this program has lacked any accountability and desperately needs to be reined in. There are many businesses currently in the program that have received certification under dubious circumstances. There is no reason we should continue to allow companies that are not creating jobs or paying substandard wages to continue to receive benefits through this program. We can, and must, do better," stated Deutsch.

"The Empire Zones program's powerful incentives are now being used to subsidize favored businesses in some areas of the state that are relatively well off while similar businesses in the same area and in other parts of the state are paying taxes at the regular rates. How can New York State justify maintaining a tax system in which businesses whose operations are the same in all material respects are paying taxes under what are really substantially different tax codes?" asked Frank Mauro, executive director of the Fiscal Policy Institute.

Susan Lawrence, Conservation Chair, Atlantic Chapter Sierra Club said that, "The state's Empire Zone benefits need to be directed to those communities most in need of economic development and redevelopment where public infrastructure already exists. They should not be used to promote sprawl by developing greenfields and destroying our precious

natural resources including farmland, forests, wetlands, and watersheds. The state needs to amend the Empire Zone law and enact rules and regulations to ensure that these state public subsidies paid for by all the taxpayers are directed in the most cost-effective manner to promote economic redevelopment across the State while protecting the environment.”

The statewide coalition asked that the following reforms be included in any reform measures:

Reform the Zones: Making Empire Zones More Accountable

1. Implement full, annual disclosure of the benefits received and the jobs provided by each participating business (The Syracuse Post-Standard recently won a law suit allowing for the release of some of this data.) This information should further be posted on the internet to allow for greater transparency.
2. Strengthen rather than weaken the program’s focus on the state's neediest areas by prohibiting zone designations in areas other than census tracts that meet economic hardship criteria and immediately adjoining census tracts in the same community. Similarly, the extension of existing zones boundaries into areas other than census tracts meeting economic hardship criteria should be eliminated.
3. Require the Commissioners of Labor and Economic Development to hold well-advertised and timely public hearings on all proposed business certifications, all contested de-certifications and all proposed boundary amendments. (Note: Hearings on boundary amendments are currently required but the Commissioner of Economic Development views this requirement as being met by the hearings held by local legislative bodies on the local laws making those boundary amendments. Public hearings are not currently required on business certifications and decertifications.)
4. Require that all of the tax breaks and other benefits available to participating firms be based on the number and quality of the jobs actually created. (NOTE: Some but not all of the program's benefits are currently tied to the number of jobs actually created.)
5. Strengthen the program’s job quality standards and the application of these standards to all zone benefits. (NOTE: Under current law employers are eligible for an enhanced wage credit [\$3,000 as opposed to the ordinary \$1,500 wage credit] for a targeted employee who is paid an hourly wage of at least 135 percent of the minimum wage for more than half of the period involved.)
6. Limit the total amount of all tax benefits available “per employee,” in any given year, to the lower of (a) \$10,000 or (b) 20 percent of the total of the wages paid to the employee involved and the health insurance premiums paid on behalf of such employee.

7. Apply de-certifications for cause to all periods beginning with the earliest documented date of the infraction on which the de-certification is based and require that any benefits received during such period by a decertified firm should be subject to mandatory repayment.

Enforce the 2005 Reforms

- End the current annual boundary amendment process (the “we bring the zone to you” approach) that has opened the operation of many of the state’s zones to favoritism and corruption. (NOTE: Currently a bill introduced by Senator George Winner would allow local Zone certification officers to unilaterally make boundary amendments in a way that could undermine this reform.)
- Halt the benefits going to businesses that used re-incorporation and other ruses to get into the program. The 2005 law added a requirement that such firms document that re-incorporations and similar changes were undertaken for a valid business purpose and not just to qualify for empire zone benefits. The NYS Department of Taxation and Finance should enforce this 2005 change in a consistent manner and in the spirit in which it was enacted.
- Tighten the program's certification requirements to ensure that firms that violate (or have, in recent years, violated) labor, health and safety, environmental or other important statutory safeguards are not certified to receive zone benefits; or, if they are already certified, that they lose such certification
- Ensure that the program promotes revitalization of the State’s existing cities, towns and villages, efficient use of municipal services and avoids the environmental problems associated with unplanned sprawl development, by limiting zone designations and boundary revisions to areas that are served by public sewer or water infrastructure, previously developed areas, or brownfields (this reform did not seem to be applied to the recent AMD deal where they located the Zone in the middle of a forest not served by municipal services. In fact, this project will require the county to develop a water line to the site in order to provide AMD with over 2 million gallons of water per day).

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