

Chamber

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New York State Division of the Budget

**Public Hearing in Preparation
for the 2008-9 Budget**

November 27, 2007 – Syracuse, New York

**Testimony of
Darlene D. Kerr, President
Greater Syracuse Chamber of Commerce**

Greater Syracuse Chamber of Commerce

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Good afternoon. I am Darlene Kerr, President of the Greater Syracuse Chamber of Commerce. We are the largest business organization in Central New York with more than 2200 member organizations that employ over 160,000 working men and women. Thank you for the opportunity to represent Central New York's employers' concerns and priorities regarding the next New York State Budget.

We have just completed a comprehensive poll of our members. Not surprisingly, they tell us their top concerns are: jobs and the economy, taxes, the cost of healthcare, energy and government modernization.

Spending

Our current spending growth is unsustainable. We applaud the Governor for his attempt last year to put out his real budget up front and to accelerate the budget process. These are needed improvements that should yield more informed and better planned financial decisions

In 2005 we had the highest state and local taxes per capita. As a portion of all income earned in the state, New York is third in the nation. We agree with Governor Spitzer that we are in the "perfect storm of unaffordability."

We cannot sustain a budget of more than \$120 billion that is growing every year. Today's economic conditions are characterized by high oil prices, healthcare that grows more expensive each year and a tax burden that is one of the highest in the nation.

As one of the metro partners in the Unshackle Upstate Coalition, we have some suggestions for tax reductions that we believe will result in growth of Upstate and New York's economy. These are investments that will have a real return on investment, a return of more jobs and more people for Central New York. The Governor has promised that the Upstate economy is one of his highest priorities and we look forward to working with him to restore our economic vitality.

Since we are suggesting a more sensible spending level for New York, we are obligated to share our suggestions for where some savings could be achieved without detrimental consequences.

Medicaid costs New York more than \$44 billion a year, nearly 40 percent of the entire state budget. It is well documented that New York is first in the nation in Medicaid spending and is 128 percent above the national average, in total spending and in per capita costs. We urge you to take steps to more aggressively reduce fraud, increase the use of technology, streamline processes. We also encourage you to review the list of benefits currently offered for their utilization, cost and medical efficacy with the goal of making New York benefits more comparable with other states.

Combined state and local government employment ranks New York third in the U. S. and second in average annual salary. Only California and Texas have more employees than New York. We rank fifth for benefits per recipient. We have a window of opportunity over the next few years to use retirement and attrition to decrease spending at both the state and local levels. Let's streamline government processes, use a hiring freeze in certain areas, use technology and

flexibility in deploying existing state workforce to be 21st century. Start of new tier to permit new employees to better contribute to their benefits and pension.

The need to act to reduce taxes cannot be overestimated. Corporate taxes in New York are part of the high cost of doing business here. New York had the third highest level of state and local corporate income taxes per capita in 2005. We are about two and a half times as high as the national per capita.

We join with the more than sixty Unshackle Upstate partners in urging for a phase out of the corporate franchise tax (Section 9a) for Upstate businesses over the next five years as a means to make Upstate more attractive for new businesses looking to relocate. Elimination of this tax will save Upstate employers about \$150 million the first year and \$1 billion when fully implemented. This would free up those tax dollars for investment in workers, plant and equipment, provide a sorely needed stimulus for the Upstate economy.

Unshackle also has some ideas to keep more people in New York and attract and retain young people. We support increasing the standard personal income tax deduction for young people 18 to 25 to \$10,000 and adopting the federal policy of allowing residents who are paying back student loans to deduct the interest from their taxable income.

Since property taxes in Upstate cities are proportionately the highest in the nation and small businesses across Upstate can benefit from some property tax relief, we suggest extending the STAR tax relief program to businesses with 50 or fewer employees. A rebate of \$700 would provide \$115 million a year in relief to 160,000 small businesses across Upstate.

Enacting the Hoyt/Padavan bill to put in place a 30% Historic Preservation Tax Credit will jump start and energize redevelopment of urban areas in Upstate and all of New York. This same tax cut proved highly beneficial in Rhode Island and Missouri. Since the legislation requires that a project must be complete with a certificate of occupancy issued, its fiscal impact will be minimal. Developers will have already spent the full redevelopment costs of labor, supplies, design, etc. before accessing the tax credit. These monies will already be circulating, generating revenue at both local and state levels before dollar one of tax credit is granted.

Invest more dollars in tourism and marketing of the Empire State. Upstate has so much more potential to attract visitors and their spending. Governor Spitzer increased funding last year to \$22 million. Our neighbor Pennsylvania allocates \$30 million each year to tourism marketing. Now we need to maintain and grow our support for tourism based on the success of the incredible brand recognition of I Love New York. We applaud Commissioner Gundersen for his commitment to promoting this brand for Upstate. Tourism promotion dollars are a critical investment that has strong return on each dollar spent.

Workforce Development is another area that needs attention and investment. Much of this can be accomplished through Empire State Development and increased coordination of the myriad of programs and services. The use of the WIN Compass program for Upstate can help communities, employers and educational institutions better adapt to the needs of their growing employers as well as employers we hope will be attracted to our area.

The Chamber seeks increasing support for workplace literacy and addressing the Aging in Place issue of a workforce where, by 2010, one third of all workers in America will be over the age of 50. New York businesses need to keep these productive people in the workforce and communities need to retain retirees. We have submitted funding requests for projects tied to these demographics to address immigrant incumbent worker literacy and educate employers on how to retain and transition age 50 and plus workers.

The Greater Syracuse Business Development Corporation is a private, not-for-profit corporation managed by the Greater Syracuse Chamber. GSBDC is the leading economic development financing organization in Central New York. We are seeking funding to recapitalize and expand our Central New York Quasi Equity Fund. This unique program fits the niche of financing growth, start up and retention of manufacturing and producer service firms in Central New York who otherwise do not qualify for conventional or venture capital financing. We will be glad to provide more information on this Fund. We are seeking \$1.5 million to recapitalize the fund and create a new Convention District Revolving Loan Fund to aid in the redevelopment of the Convention District in Downtown Syracuse.

Another area of investment we seek is for a project we call RESULTS – Retaining Engineering Students for Ultimate Long Term Success. The nation-wide shortage of engineering students compared to available jobs continues to grow at an alarming rate. Technical talent is vital to the success of New York's emerging economy. RESULTS will create a clear path for engineering students in New York State to connect with in-state high-tech employers.

We are seeking \$1 million to serve up to 225 small businesses with engineering problem solving. RESULTS is built on the success of a NASA funded initiative based in the Chamber's Syracuse Technology Garden. This program is known as SATOP, the Space Alliance Technology Outreach Program. The current program assists small businesses, not-for-profits and entrepreneurs by providing 40 hours of free technical assistance from NASA contractors' engineers. Our SATOP experience suggests that the economic impact of this \$1 million effort could be \$20 to \$60 million in increased sales and the creation or retention of up to 150 jobs. The funding would support up to 200 engineering internships at high-tech firms across New York State.

We hope you will agree with our rationale that restrained spending and strategic investment in the upcoming budget will contribute to growth in the Upstate economy. Through increased revenues at the local and state levels, a reduced cost of doing business in the struggling Upstate region, increased population and job growth, we can achieve overall improvement in the economic climate for New York.

I thank you for this opportunity and offer further information and discussion of these suggestions and proposals at your convenience.



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Just the Facts

Key Economic and Social
Indicators for New York State

STATE AND LOCAL GOVERNMENT EMPLOYMENT, 2003

MAP

Rank, average salary	State	Average annual salary	Full-time equivalent employees (FTE)	FTE/1,000 residents	Rank, FTE/1,000 residents
1	CALIFORNIA	\$52,129	1,805,446	51	42
2	NEW YORK	\$51,445	1,193,262	62	9
3	NEW JERSEY	\$50,228	489,448	57	21
4	CONNECTICUT	\$48,444	176,369	51	43
5	RHODE ISLAND	\$46,894	55,944	52	39
6	NEVADA	\$45,849	92,655	43	50
7	WASHINGTON	\$45,693	321,153	53	36
8	MASSACHUSETTS	\$45,644	320,372	50	46
9	ALASKA	\$45,504	51,102	79	2
10	MARYLAND	\$44,874	287,513	53	38
11	MICHIGAN	\$42,806	512,026	51	44
12	MINNESOTA	\$42,053	283,691	57	26
13	PENNSYLVANIA	\$41,429	569,356	46	49
14	ILLINOIS	\$41,371	641,248	51	45
15	WISCONSIN	\$41,159	288,044	53	35
16	DELAWARE	\$41,155	45,947	57	22
17	COLORADO	\$40,824	256,018	57	23
18	OREGON	\$40,679	181,607	52	41
19	HAWAII	\$39,145	71,764	58	18
20	OHIO	\$39,007	619,869	54	31
21	ARIZONA	\$38,558	261,492	48	48
22	FLORIDA	\$37,804	806,682	48	47
23	VIRGINIA	\$37,145	411,100	56	28
24	NEW HAMPSHIRE	\$36,658	68,192	53	34
25	IOWA	\$36,216	179,633	61	11
26	NORTH CAROLINA	\$35,805	469,942	56	27
27	VERMONT	\$35,764	38,660	63	8
28	UTAH	\$35,595	122,209	53	37
29	TEXAS	\$34,592	1,253,022	58	19
30	INDIANA	\$34,562	332,380	54	32
31	NEBRASKA	\$34,407	113,703	66	4
32	GEORGIA	\$34,343	484,515	57	24
33	NORTH DAKOTA	\$34,103	41,178	65	6
34	MAINE	\$33,853	75,041	58	16
35	WEST VIRGINIA	\$33,493	93,383	52	40
36	KANSAS	\$33,377	178,042	66	5
37	WYOMING	\$33,315	43,651	88	1
38	TENNESSEE	\$33,267	311,601	54	33
39	ALABAMA	\$33,127	269,674	60	12
40	MISSOURI	\$32,897	311,972	55	30
41	SOUTH CAROLINA	\$32,753	242,222	59	13
42	IDAHO	\$32,539	78,548	59	14
43	MONTANA	\$32,486	52,886	58	15
44	NEW MEXICO	\$32,309	122,040	66	3
45	KENTUCKY	\$32,080	227,902	56	29
46	OKLAHOMA	\$31,566	201,632	58	17
47	LOUISIANA	\$31,499	279,087	62	10
48	SOUTH DAKOTA	\$31,187	43,445	57	20
49	ARKANSAS	\$30,237	153,382	57	25
50	MISSISSIPPI	\$28,563	186,130	65	7
	U.S. average	\$40,717		55	
	N.Y.S. % above avg.	26%		14%	

Source: U.S. Census Bureau; calculations by The Public Policy Institute

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Just the Facts

Key Economic and Social
Indicators for New York State

2006 MEDICAID SPENDING, TOTAL AND PER-CAPITA

Rank, per-capita total spending	State	Per-capita spending 2006	Rank, total 2006 spending	2006 total spending	Rank, growth in spending	Growth in spending, 2005-2006
1	NEW YORK	\$2,316	1	\$44,712,222,361	18	3.00%
2	Rhode Island	\$1,589	37	\$1,696,670,833	27	0.40%
3	Vermont	\$1,519	45	\$947,607,479	4	9.10%
4	Massachusetts	\$1,506	8	\$9,696,897,004	25	1.00%
5	Maine	\$1,478	36	\$1,953,705,101	49	-13.10%
6	Alaska	\$1,433	44	\$959,922,656	37	-2.30%
7	New Mexico	\$1,274	33	\$2,490,147,301	12	5.10%
8	Pennsylvania	\$1,247	4	\$15,512,030,315	28	0.30%
9	Connecticut	\$1,202	24	\$4,213,071,822	21	2.50%
10	West Virginia	\$1,154	34	\$2,098,797,408	44	-5.60%
11	Louisiana	\$1,134	20	\$4,861,096,507	46	-10.60%
12	Mississippi	\$1,124	27	\$3,270,419,039	33	-1.30%
13	Delaware	\$1,109	46	\$946,598,649	2	11.20%
14	Missouri	\$1,109	13	\$6,477,005,485	29	-0.20%
15	Minnesota	\$1,097	17	\$5,666,177,093	24	1.10%
16	Ohio	\$1,067	6	\$12,251,082,457	35	-1.70%
17	New Jersey	\$1,041	10	\$9,084,304,080	1	19.20%
18	Kentucky	\$1,041	23	\$4,377,834,330	19	2.90%
19	North Carolina	\$1,032	9	\$9,140,498,490	34	-1.30%
20	Arkansas	\$1,030	30	\$2,895,086,328	13	4.90%
21	Arizona	\$1,005	14	\$6,195,618,153	7	8.10%
22	Tennessee	\$1,004	15	\$6,065,629,530	50	-20.20%
23	South Carolina	\$942	25	\$4,068,977,905	39	-2.90%
24	California	\$939	2	\$34,247,357,424	26	0.90%
25	Indiana	\$899	16	\$5,674,356,529	8	7.80%
26	Maryland	\$890	19	\$5,000,486,138	43	-5.10%
27	Iowa	\$877	32	\$2,614,996,813	5	8.60%
28	Washington	\$872	18	\$5,579,368,299	38	-2.80%
29	Nebraska	\$869	38	\$1,536,880,940	3	9.50%
30	Hawaii	\$856	42	\$1,100,740,166	11	5.40%
31	Alabama	\$845	26	\$3,885,724,359	23	1.50%
32	New Hampshire	\$842	41	\$1,106,718,695	48	-12.10%
33	Wisconsin	\$837	22	\$4,653,047,015	40	-4.10%
34	Oklahoma	\$831	28	\$2,972,933,819	9	5.70%
35	Michigan	\$821	11	\$8,288,303,539	42	-4.80%
36	Wyoming	\$818	50	\$421,403,854	16	3.30%
37	Oregon	\$795	29	\$2,941,032,951	17	3.10%
38	North Dakota	\$793	49	\$503,968,992	36	-1.90%
39	Illinois	\$789	7	\$10,118,625,295	45	-6.30%
40	South Dakota	\$777	48	\$607,475,395	31	-1.10%
41	Texas	\$771	3	\$18,115,908,724	32	-1.20%
42	Montana	\$768	47	\$725,886,163	14	4.70%
43	Kansas	\$752	35	\$2,077,616,164	10	5.40%
44	Georgia	\$731	12	\$6,840,869,446	47	-11.90%
45	Idaho	\$712	43	\$1,043,994,481	20	2.80%
46	Florida	\$706	5	\$12,763,018,102	41	-4.20%
47	Virginia	\$609	21	\$4,654,115,156	15	4.20%
48	Colorado	\$604	31	\$2,873,216,407	22	2.30%
49	Utah	\$578	39	\$1,473,234,280	6	8.50%
50	Nevada	\$472	40	\$1,177,644,552	30	-0.50%
	United States	\$1,015		\$303,882,398,422		-0.20%
	N.Y.S. % above U.S. avg.	128%				
	N.Y.S. as % of U.S. total			15%		

Source: Public Policy Institute Analysis of Kaiser Family Foundation Data

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