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## **NEW YORK STATE ECONOMIC DEVELOPMENT AT A CRITICAL CROSSROADS**

The calls for reform and change continue to resonate in the body politic. This year's state budget embodied significant reform and change in the State's Empire Zones Program. New more stringent tests for existing participants in the program were enacted and are being applied retroactively. Future participants must meet even higher standards. The sunset of the zones program was accelerated to June 30 of next year. The Governor himself heralded the "end of the program." Businesses considering expansions and site selectors are unsure of the nature of state assistance going forward. Even surviving participants in the zones program are unsettled by the prospect of the state changing the rules in midstream again. There is little but uncertainty on the horizon.

But while the body politic calls for change, the economic development and business sector needs certainty and reliable partnership with the state. Business decisions on expansions or projects in the pipeline can't be made unless there is a framework that is reasonably certain and predictable. Unfortunately, the present view in the business community and among site selectors is, bluntly put, that "New York State can't be trusted."

It may be an over-used metaphor but New York State does indeed find itself at a critical crossroads in economic development. We need to re-establish trust, undo the damage that has been done, and set the state on the economic development road of predictability and continuity. We can achieve that goal by quickly establishing a better program, and having it in place by early spring of next year. Or, failing that, we can extend the Empire Zones Program as it is now reconstituted well into the future, beyond next year's currently scheduled sunset date.

If the course is to transition to a new program, respect must be paid to the companies and the places that have relied in good faith on the zones program. Benefits and standards for companies that survived the 2009 purge with time remaining in the program must not be changed again. Respect must be paid to infrastructure investments made within the footprint of zone boundaries. The established record of decisions and opinions within the current regulatory framework can constitute a knowable and sound basis for fleshing out a new program. Most of all, any transition must be crisp and transparent, accommodating the necessary timelines for business decision making, especially so during these economic times.

If the administration is to present a new program it should cover four bases.

First, it needs a globally competitive component that site selectors and in-state companies can know of and count on as an inducement for business attraction and expansion. It must be as robust as the current zones program's "regionally significant project" component, which could simply be carried forward.

Second, distressed communities need special attention. These communities have a particular type of zone - called "census tract" or "investment" zones. By carrying forward only these zones and applying the 2009 standards, the state will be both returning the zones program to its original distressed community focus and tightening up the program.

Third, a new program should pay special attention to the needs of companies which generate the greatest economic benefit in importing dollars into a community by exporting goods and services out of the community, especially those companies which use local supply chains to acquire the ingredients of their exported goods or services. We simply cannot afford to lose any more of these "high value" enterprises - such as manufacturers.

Fourth, in an ever-changing world, a new program affords the opportunity to provide the missing link in the "innovation continuum" in New York State. While New York is home to countless creative innovators, and while we spend immense sums on research and development, we paradoxically provide disproportionately little assistance in early-stage seed capital funding. As a result, new start-ups either fail or leave the state before they reach the venture capital stage and may end up producing their cutting-edge products invented here elsewhere. Early-stage seed capital funding can bridge their "valley of death" and generate deal streams for venture capital investment here in New York.

A new program that covers all four of these bases would be a home run for New York. But to stay in the big leagues, the administration must put it in place quickly. Failing that, we are simply better off to continue the current zones program as it is now reconstituted.

The bottom line is that New York is one of the most expensive states in the country in which to do business. That is why programs such as the Empire Zones Program, which help to level the playing field, are so important.

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