

Economic Development

Reforming the Empire Zones Program

In 2000-01, the Empire Zone program was established as a key Assembly initiative to spur economic activity in distressed communities. Over time however, the program has grown in scope and expanded past its original intention, requiring the Assembly to advocate for various changes and reforms. The 2009-10 Executive Proposal includes a number of program reforms and administrative changes with the intent to decrease and streamline the cost of the Empire Zone Program.

The SFY 2009-10 Executive proposal requires the Department of Tax and Finance to delay the release of SFY 2008-09 tax refunds awarded by the program until all businesses receiving Empire Zone benefits have undergone a new review process and include a 20:1 cost benefit test. Only businesses that meet or exceed this standard will be eligible to receive Empire Zone benefits. Also, industries such as utilities, retail, and real estate are excluded from applying for certification in the future. The Executive estimates \$272 million in reductions in SFY 2009-10 and \$310 million in reductions when the program is fully annualized in SFY 2010-11. The entire Empire Zone program will sunset on June 30, 2011.

New Economic Development Initiative

The Executive recommends reinvesting \$70 million of reductions from the Empire Zones Program into new economic development programs administered by the Empire State Development

Corporation (ESDC) in SFY 2009-10. The Executive proposes a new \$50 million grant program known as the New York GAINS (Growth, Achievement and Investment Strategy) Fund. This program would target funding towards strategic industries such as manufacturing, financial services, agri-business, high technology, and biotechnology. In addition, the Executive would establish a new Research and Development Tax Credit that would allow ESDC to allocate \$20 million in credits in 2009.

Consolidation of Economic Development Agencies

The economic development efforts of the State of New York have been traditionally administered by ESDC, the Department of Economic Development (DED) and the Foundation for Science, Technology, and Innovation (NYSTAR). The Executive proposes to consolidate these entities by fully merging DED and NYSTAR into ESDC. All NYSTAR positions will be eliminated, while 88 positions from DED will be eliminated with the remaining 112 positions eligible for possible rehire at ESDC. The proposed restructuring reduces spending by \$11.1 million in SFY 2009-10.