



## **Testimony of Reinvent Albany for the Joint Legislative Hearing On Economic Development**

**January 30, 2024**

Thank you for the opportunity to testify at this hearing. Reinvent Albany urges the Legislature and State of New York to take the following actions:

- 1. Prohibit IDAs from abating revenue that would go to schools**
- 2. End NY's Opportunity Zone Tax Break**
- 3. Say no to \$1 billion (\$500 million new) in subsidies for chip makers**
- 4. End the film/TV tax break and theatrical production credit**
- 5. Say no to 421-a extension**
- 6. Eliminate NY Works**
- 7. Fully fund the Authorities Budget Office**

### **1. Prohibit IDAs from abating revenue that would go to schools**

It's time for the state to prohibit IDAs from abating tax revenue that costs NY students over a billion dollars every year by passing [S89 \(Ryan\) / A351 \(Bronson\)](#) in the budget.

NY schools lose a staggered amount of money to IDA tax abatements – up to \$1.8 billion annual, [according to Good Jobs First](#). As they note, many of these abatements disproportionately affect the underprivileged and students of color.

In New York State, unelected and undemocratic Industrial Development Agencies (IDAs) and Local Development Corporations (LDCs) have the superpower of deciding which businesses have to pay taxes and which can free-ride on taxes paid by others. Broadly, Reinvent Albany believes that the number of IDAs and LDCs should be greatly reduced. We believe IDAs and LDCs are often poorly governed, waste taxpayer money, and are a corruption risk.

In Fiscal Year 2021, the State's 107 IDAs handed out a total of [\\$1.9 billion worth of business subsidies](#) in the form of tax exemptions to private businesses (\$1.1 billion if you subtract PILOTs). Unfortunately, information about who is getting subsidies and how much they are getting is not transparent. The state and its localities do not collect data

on which businesses are getting subsidies, how much they are getting, and how many jobs they promise and do actually create. This is because IDA deals are not included in the state's [database of economic incentives](#).

What we do know is that IDA and LDC subsidies do not grow economies nor do they contribute to the state's overall job growth. We know this because scholars and other independent scholars have, time and time again, shown that [business subsidies do not work](#). Further, business subsidies are unfair, leaving some businesses to pick up the slack from those who do not pay taxes, and [contribute to inequality](#).

## **2. End NY Opportunity Zone Tax Break**

If NY does not end its Opportunity Zone tax break, from 2029, the Trump program will start to cost New Yorkers [up to \\$424 million annually](#) (\$284 million for New York State, \$140 million), according to the Citizens Budget Commission. Most of this money will likely go to projects out of state.

Under the Opportunity Zone program, investors can receive a tax break if they place their capital gains in Opportunity Zones [anywhere in the country](#). That means tax revenue that could support a school in the Bronx can instead go to help support a luxury tower in Florida.

As our [“Guns, Oil, and Crypto”](#) report showed, Opportunity Zone investments are not limited to high-end real estate – they can also go to gun manufacturers, oil and gas, and cryptocurrency, as Opportunity Funds have been set up to support all of these. In other words, the program could be contradicting its own policy goals – enacting gun control laws and reducing carbon emissions – under the program.

The program was supposedly created to help support high-poverty/low-income communities, but as reporting in [the New York Times](#), [Wall Street Journal](#), and [ProPublica](#), the greatest beneficiaries have been Trump cronies and the super-wealthy, and OZ properties often include luxury apartments with dog spas and indoor golf simulators.

In 2021, the state commendably ended part of its Opportunity Zone tax break. It's time for the state to finish the job – we urge you to pass [S543-A \(Gianaris\) / A2170-A \(Dinowitz\)](#) and end this Trump handout for good. The bill is currently supported by [over 30 organizations and unions](#), including the New York State Teachers Association, CWA District 1, and RWDSU.

## **3. Say no to \$1 billion (\$500 million new) in subsidies for chip makers**

We oppose the Governor’s proposal for \$1 billion in subsidies for computer chip manufacturers, \$500 million of them new. Most of this money would be for a partnership to establish a new semiconductor research center at NY CREATES’s Albany Nanotech Complex, and will pay for building a new lithography machine. All this is in addition to the up to \$5.5 billion provided for Micron as part of the state’s CHIPS program.

The state claims that these policies will create jobs, but economist Tim Bartik has shown that these subsidies only affect business location decisions [2 to 25% of the time](#) – meaning that up to 98% of the time, governments are simply giving tax revenue away. We have seen no data suggesting that chips subsidies will fare any better.

#### **4. End the film/TV tax break and theatrical production credit**

Last year, the state committed [\\$7.7 billion](#) for the film/TV industry by increasing its handout from \$420 million to \$700 million annually over 11 years. Major studies have repeatedly shown that [film/TV tax credits are an ineffective use of taxpayer funds](#), which is one reason many states have [ended their tax break](#).

It’s time for the state to wean itself off this giveaway to Hollywood. One approach we’ve recommended is [reducing the tax credit by 10 percent every year over the next decade](#).

We also call for the state to take steps to end its theatrical production credit, which was increased from \$200 million to \$300 million last year.

#### **5. Say no to 421-a extension**

It’s impossible to know what impact Governor Hochul’s 485-x proposal would have on real estate, as so many of the details need to be ironed out. But we continue to oppose an extension of the 421-a program, which is currently costing NYC \$1.8 billion a year. The state should not be dictating NYC’s tax policy.

#### **6. Eliminate NY Works**

We oppose the \$400 million proposed in Governor Hochul’s budget for the New York Works program. ESD says that the program “provides capital grants to support projects that facilitate an employer’s ability” to retain or attract employees, or to infrastructure projects that help bring in business. The lack of safeguards in the program makes it seem more like a slush fund, highly vulnerable to waste; New York would be better off making investments in programs that have been shown to produce a higher benefit.

#### **7. Fully fund the Authorities Budget Office**

Last year, the Governor and Legislature came together to provide an unprecedented \$3.359 million for the Authorities Budget Office, an increase we supported. This year,

the Governor proposed a further increase to \$3.407 million. We support this increase, and encourage the state to go further by providing the ABO with \$5 million [as we and four other government watchdogs called for in 2021](#). This will help the ABO to fulfill its mission of overseeing the state's [591 public authorities](#).

Thank you for your consideration. If you have any questions, please contact John Kaehny, Executive Director, at [info@reinventalbany.org](mailto:info@reinventalbany.org).