



February 11, 2009

Dear Legislator:

We are writing to support Governor David Paterson's proposal to scale back the almost \$600 million a year Empire Zone Program and to recommend phasing out this largely wasteful use of limited state resources. It is time to replace Empire Zones with a more targeted approach to statewide and regional economic development that stimulates creation of good jobs and encourages investment in growth sectors of our economy.

Studies by Citizens Budget Commission, the Office of the State Comptroller and A.T. Kearney, Inc., legislative reviews and newspaper investigations, have all documented flaws and abuses of Empire Zones, including:

- Zones have been routinely created or stretched to assist developers or achieve political ends, without objective criteria for the return on public investment.
- Benefits are highly concentrated among a relatively small number of companies and flow, unnecessarily, to businesses that are not geographically mobile.
- Outcomes are impossible to measure accurately and awards vary widely (as much as 400%) in value.
- Most beneficiaries fail to meet their job creation and investment targets. According to data from 2006, fully 58% of participating firms fell short – by 60% or more – of the targets that they themselves set when they were approved. In several regions, the failure rate reaches as high as 69 to 79%.
- Numerous past efforts to “fix” the program have been unsuccessful.

New York has invested billions of dollars in Empire Zones with no accounting for the return on this investment. For the amount of money New Yorkers spent on Empire Zones, communities that received these benefits should have realized significantly more economic growth than has actually occurred. We do not suggest it is appropriate, retroactively, to pull a commitment or impose unrealistic leverage requirements on employers who are in full compliance with their EZ contracts. But decertification of businesses in substantial noncompliance and cessation of any new commitments that fail to meet well defined, strategic objectives is certainly appropriate and necessary.

While winding down Empire Zones, New York should come up with a more effective approach to economic development that focuses in on strategic growth industries and offers deeper benefits for the most distressed areas of the state. Key criteria for state support should be quality of jobs, commitment to meet fair labor standards and contribution to targeted industry clusters. We call upon the Legislature to work with the Governor, Empire State Development, and regional and local economic development groups to develop a new program which result in significant (and measurable) outcomes.

Those who continue to support Empire Zones are right about the need for a program. But New York can do much better than Empire Zones, and the time to start is now.

Sincerely,

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NYS AFL-CIO

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President
Citizens Budget Commission

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