

Unshackle Upstate

2011 Policy Agenda



History Of Unshackle Upstate

Unshackle Upstate is a non-partisan coalition of more than 80 business and trade organizations, representing some 70,000 companies that employ more than 1.5 million people. The coalition's goal is simple: Achieve reforms in Albany that are essential for revitalizing the Upstate economy.

Unshackle was founded in 2006 by the Buffalo Niagara Partnership and the Rochester Business Alliance. Their intention was to raise awareness of the specific economic issues confronting Upstate New York, issues that are often overlooked in a political system dominated by New York City interests. In the subsequent four years, the coalition has grown in membership and geographic reach, engaging participants from Buffalo to Albany, from Plattsburgh to Binghamton and the Southern Tier. Its leaders have also sought strategic alliances with downstate organizations on matters of mutual interest, further expanding Unshackle Upstate's political influence in the state Capitol.



Billing itself as a pro-business, pro-taxpayer coalition, Unshackle Upstate has reached out through social media - Facebook, Twitter, YouTube and an interactive website - to connect with taxpayers, giving them a platform to share their ideas and concerns, and a vehicle for sending a united message to the governor and state legislature. At the center is the Unshackle Army, a continually growing legion of Facebook fans committed to keeping our elected officials focused on lowering taxes, creating jobs and improving New York's failing economy.

In 2010, Unshackle Upstate raised its profile by actively engaging, for the first time, in the process of state elections. UPAC, a political action committee was formed, raising hundreds of thousands of dollars spent to promote candidates for the Senate and Assembly whose platforms aligned with the coalition's agenda. Unshackle Upstate made endorsements in 25 races, on a theme billing Election Day as "Judgment Day for the New York State Legislature." Unshackle will continue this political engagement by continuing to remain focused on state elections.



Unshackle Upstate's Core Principles

Reducing State Spending

- » State spending continues to outpace inflation, even as New York's population declines. At the core, spending on education, Medicaid and labor – which makes up more than 66 percent of state controlled spending.

Reducing Taxes, Fees and Assessments

- » To offset its rising spending and balance its budget, New York continues to raise its taxes and fees. The state's income taxes are 22 percent higher than the national average. Local property taxes are 79 percent higher, while local sales taxes are twice the national average. The last two state budgets included \$9.2 billion in new taxes and fees.

Reducing Mandates

- » The labyrinth of laws and regulations that makes New York notoriously unfriendly to business and job creation also saddles local governments with expensive requirements, typically without funding to pay for them. The result: local governments must raise their own taxes to cover the cost, a clear case of cost-shifting at the expense of the taxpaying public.

Reducing State Borrowing/Debt

- » The level of state borrowing and debt continues to rise, and these bonding schemes and refinancing measures are mortgaging our children's future. For every tax dollar collected, nearly 17 cents goes to debt payments.

DID YOU KNOW?

- » The median property tax in New York State is \$3,755 which is 96 percent higher than the national median.
- » Over the past five years, state-funded debt grew by 24.6 percent, increasing from \$48.5 billion in state fiscal year (SFY) 2005-06 to an estimated \$60.4 billion in SFY 2009-10.
- » The 2010-2011 budget will hit New York's families and businesses with another \$1.2 billion in new taxes and fees. That's on top of the \$8 billion in taxes from the 2009-2010 budget.
- » According to the National Tax Journal, 43 states have some form of limitation on real property taxes. Since the enactment of Proposition 2 1/2, Massachusetts dropped from 3rd nationally in 1977 to 33rd in 2005 on the measure of state and local tax burden. Comparative pupil performance data demonstrate that Proposition 2 1/2 has not negatively affected student performance. On standard tests, Massachusetts ranks highest among all states.

Reduce State Spending

State spending continues to outpace inflation. At the core, spending on education, Medicaid and labor – which makes up more than 66 percent of state controlled spending.

To rein in spending, Unshackle Upstate proposes these steps:

Establishing a State Spending Cap

» Unshackle Upstate has proposed a five-year plan to right-size the state budget to a sustainable level of \$109 billion by 2015. The proposal starts for taking the budget back to its 2000 level of \$77.5 billion, then readjusting according to the consumer price index increases over the subsequent years. To start the process, Unshackle identified \$12 billion in cuts possible in the 2010-11 budget, including \$2.2 billion cut to spending on state operations.

Reducing the Size of State Government

» Millions in taxpayer dollars could be saved by consolidating state agencies and merging services. Agencies that perform similar functions should be required to share administrative services.

Requiring all State Employee Contracts to be Amended During Economic Downturns

» While workers in the private sector took pay cuts or unpaid furloughs to help their employers weather the recession, state employees did not. Many state employee contracts will be negotiated over the next few years. The governor should not ratify contracts unless they contain a clause allowing for downward adjustments in the event of a major economic downturn.

Reducing Medicaid Spending

» New York has the most expensive Medicaid program in the nation. At \$49.2 billion in 2010, it accounts for roughly 14 percent of the nation's total Medicaid budget, even though the state holds just 7 percent of the nation's population. According to 2006 data from the Kaiser Family Foundation, New York spends about 73 percent more per Medicaid enrollee than the national average - \$7,927 versus \$4,575. The program's enormous size and cost contribute significantly to high state and local taxes. New York must implement necessary reforms for long-term sustainable savings, and avoid a "one-size-fits-all" approach in Medicaid reimbursements.

Establishing a Medicaid Commission Similar to the Berger Commission of 2006

» To reengineer the system and reduce costs, New York should establish a Medicaid Commission similar to the Berger Commission, which undertook a rational, independent review of health care – hospital and nursing home - capacity and resources in New York State.

Eliminating Remaining Legal Barriers to Mergers and Shared Services

» Provide local government incentives to embrace the Government Reorganization and Citizens Empowerment Act, which will remove the cumbersome process of consolidating local government entities and allow citizens to vote directly on such matters. There are currently more than 10,000 government taxing entities – towns, villages, cities, school districts, water and sewer district, etc. – within New York state. Many are providing duplicating and overlapping services. As a result, New Yorkers pay about \$73 per \$1,000 personal income on local taxes, more than twice the national average.

Enacting Reforms Highlighted in the Final Report of the Suozzi and Lundine Commissions

» New York State Commission on Property Tax Relief (Suozzi Commission) and the New York State Commission on Local Government Efficiency and Competitiveness (Lundine Commission), contain many laudable suggestions that would aid in reducing local spending, but few have been enacted. Before more commissions and studies are established many of these commission recommendations should be enacted.

Reforming Laws that Govern Collective Bargaining and State Employee Contracts

» Two laws unique to our state – the Taylor Law and Triborough Amendment – guarantee public employees that their pay and benefits will increase without interruption, even if their contracts have expired. These laws give unions little incentive to negotiate, and saddle governments with rising payroll costs, regardless of their ability to pay.

Reduce State Spending

Key Findings

NYS Commission on Property Tax Relief (Suozzi Commission)

- » Require a complete accounting of the fiscal impact on local governments, including full documentation, local government input, and proposed revenue sources before instituting any new regulatory mandate from the state Education Department.
- » Mandate accountability through the Office of the State Comptroller, including the cumulative cost to localities of complying with all new regulatory and legislative mandates
- » Streamline and centralize school district reporting

NYS Commission on Local Government Efficiency and Competitiveness (Lundine Commission)

- » Conduct regional collective bargaining thru BOCES
- » Consolidate non-instructional (HR, purchasing, etc) through BOCES
- » Consolidate school districts
- » Allow renegotiation of collective bargaining agreements when consolidations occur
- » Set up local schools restructuring committees to examine service sharing and consolidation
- » Conduct countywide property tax assessments

Unshackle Upstate's Double Standard Report (Compared public and private salaries in NY regions)

- » New York leads the nation in per-capita contributions to public-employee retirement, at \$486 per taxpayer for the 2006-2007 fiscal year.
- » An average 10-year employee in the private sector receives about 39 days of paid time off per year; an analysis of 94 public-employee union contracts in Monroe County showed median time-off allocations ranging from 20 to 60 percent higher.
- » Monroe County taxpayers would save more than \$40 million annually if schools and local governments matched the national average of employer contributions for health care insurance. Across the 57 counties of Upstate New York, the projected savings would be measured in the hundreds of millions of dollars each year.

Redirect the State's Economic Development Program

*Funding should reflect the Needs and
Diversity of the State*

- » Input from communities on economic development projects should be solicited with a significant value placed on the views of the job creator community as reflected by multi-county chambers of Commerce.
- » Avoid a "one-size-fits-all" approach to economic development—New York State is a diverse economy, economic development policies and programs should look to expand that richness by the development of programs that foster growth in Upstate urban areas, Upstate rural communities, former industrial centers, locations of academic excellence, constitutionally constrained mountain communities, farm communities, tourist destinations, entrepreneurship and clusters of technological advancement.
- » Redirect scarce resources to areas experiencing long-term economic hardship.
- » Recognize the importance of local economic development clusters—Regional Partnership Program.
- » Oppose measures that result in short-term savings, but that result in unfriendly economic conditions.
- » Amend the Excelsior Jobs Program to reflect local input from chambers of commerce, to provide regional equity and provide as-of-right benefits.
- » Oppose bonded economic development programs instead of pay-go investments.

Reduce Mandates

New York is notorious for the volumes of regulations it imposes on other governments, school districts, and businesses, just to name a few. These laws, known as mandates, can be highly restrictive and lead to inefficiencies in operations. But implementing them also comes at high cost to the organizations upon which they are imposed. Regulations should be reformed to eliminate or revise those that are antiquated and burdensome, with a focus on retaining those necessary to upholding and strengthening critical protections for public health, safety and welfare.

Unshackle Upstate proposes these actions:

Protecting Local Governments from Unfunded Mandates

Some 25 states have constitutional or statutory limitations on their ability to impose mandates on local governments. Executive Order No. 17 established a framework to evaluate the cost of mandates on local governments. The guidelines of the Executive Order should be extended to require submitting a full accounting of the fiscal impacts of proposed legislation earlier in the process of developing bills, and require substantive analysis in the creation of local fiscal impact statements.

Creating a Mandate Review Commission, With a Report Required by Dec. 31, 2011

A comprehensive Mandate Review Commission should be empanelled, similar to the Upstate Mandate Relief Commission, of business and community leaders from the entire state. The Commission will engage in a comprehensive study of state mandated programs and devise a plan to reform these mandates in the interests of protecting taxpayers

A look at Just Two Areas the Comprehensive Mandate Review Commission should address **Amending the Competitive Bidding Thresholds**

Pursuant to General Municipal Law § 103, local governments are required to follow complex and cumbersome procedures to purchase goods exceeding \$10,000 and to enter into public works contracts exceeding \$35,000. The low thresholds impose rigid requirements on essentially every project local governments engage in, as the total cost of all but the most minor of procurements exceed the current statutory parameters.

Reassessing Court of Claims Jurisdiction

Unlike cases brought against New York's cities and villages, cases brought against the State of New York are adjudicated by the State's Court of Claims, which does not adjudicate cases via a jury. Consequently, the State of New York is subject to neither excessive jury awards nor the expense of litigating jury trials.

Rejecting Additional Barriers to Job Creation and Retention

Attempts to advance "job killing" mandates such as prevailing wage on private projects, sector specific mandates, barriers to private investment, or unaffordable work place mandates, should be rejected.

Eliminating Mandates and Provide Flexibility to the State and City University Systems

Eliminate mandates requiring the transfer of tuition, fees and other self-generated revenues in SUNY and CUNY campuses, students and faculty, from the schools.

Unshackle Upstate proposing authorizing SUNY to:

- » Undertake land leases without special legislation for projects not in conflict with campus missions.
- » Enter joint ventures and public private partnerships.

Allow the State University Construction Fund to use expanded delivery methods, including design/build and construction manager at risk.

Further, the state Dormitory Authority should be authorized to:

- » Finance/construct facilities on behalf of state-operated and community college affiliates.
- » Finance/construct community college dormitories directly on behalf of community colleges.

The state must also eliminate burdensome and duplicative State Comptroller/Attorney General pre-approval of SUNY, CUNY and their construction funds contracts.

Establishing Regulatory Review and Reform

Regulations should be reformed to eliminate or revise antiquated and burdensome regulations on businesses, local governments, health care providers and other regulated entities, and focus the State's regulations on those necessary to retain and strengthen critical protections for public health, safety and welfare. This work should be done to expand the effects of Executive Order 25.

Reduce Taxes and Fees

Private business must operate under this model: When revenue is down, spending must be cut. But that's not true for New York's government, which typically balances its budget by raising new revenues through taxes and fees. For its economic survival, New York State simply must change its tax-and-spend ways.

Unshackle Upstate proposes:

Enacting a Real Property Tax Cap

New York needs a realistic property tax cap of 2 percent or less of the tax levy, with provisions that allow local governments to underwrite or override the cap – with public approval. The cap should be a straight cap that is not tied to a state spending cap or a circuit breaker. It should be a real, sustainable cap that benefits all New York taxpayers and job creators. New Yorkers need only look across their borders to Massachusetts and New Jersey for effective examples. In fact, in 2010, New Jersey Gov. Chris Christie signed into law a stringent 2-percent property tax cap, replacing the previous cap limiting for five years annual property tax growth to 4 percent.

Repealing Fees and Taxes

In addition to the more obvious taxes and fees –which contribute to New Yorkers paying taxes well above the national average - are some hidden taxes on basic necessities. Unshackle Upstate proposes the process of repealing unnecessary taxes and fees begins with:

- » Removing the more than \$850 million in taxes and assessments that were enacted on health insurance companies, and are being passed on to consumers in higher premium costs to businesses and the people they employ.
- » Repealing the \$525 million in increased 18A assessments that will drive up the cost of energy, already the second highest expense for businesses.

Reduce State Debt

New York simply cannot begin to cut its expenses while being saddled with bills to pay off its debt, a burden that now drains 17 cents from every tax dollar collected.

Unshackle Upstate proposes that New York:

Refuse to Authorize Additional Debt

Capital expenditures can be financed “pay-as-you-go” or out of current revenues.

Use Excess Revenue and Budget Surplus to Reduce State Debt

When New York State once again generates excess revenue and budget surpluses, those funds should be rededicated to reducing its debt.

DID YOU KNOW?

- » New York State's debt for 2009-10 is \$54.5 billion, a 41.3 percent increase since 1999.
 - » The average family's share of the state's debt is \$11,000.
- » For 2009-10, the state paid \$5.9 billion in debt service, amounting to 4.5 percent of the \$131.8 billion state budget.



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Unshackle Upstate 150 State Street, Rochester, NY 14614

Phone: 1-585-256-4606 Fax: 1-585-263-3679