



Unshackle Upstate
Joint Legislative Public Hearing on the Executive Budget
Taxes
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Written testimony of Brian Sampson, Executive Director
Unshackle Upstate

Chairman DeFrancisco, Chairman Farrell and members of the joint fiscal committees, thank you for the opportunity to speak today. My name is Brian Sampson, Executive Director of Unshackle Upstate, a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition made up of business and trade organizations from all parts of Upstate New York.

As an organization, we speak for Upstate businesses and tax payers and advocate for reforms in Albany that will make Upstate New York a better to do business and grow jobs.

In the past, New York's spending and borrowing habits have driven the need for additional taxation. Unshackle Upstate's vision for a better New York is based on four principles that will reduce the cost of doing business. To this end, our priorities remain the same as they have since we were founded in 2006:

- 1. Reducing State and Local Government Spending**
- 2. Reducing Taxes, Fees and Assessments**
- 3. Reducing Mandates on Businesses and Unfunded Mandates on Local Governments and School Districts**
- 4. Reducing the State's Reliance on Borrowing**

Below are our specific comments on the Executive Budget proposal. I look forward to continuing the conversation with you, your colleagues and your staffs as you continue your work toward enacting another fiscally responsible, on-time budget.

Overview

Governor Cuomo's Executive Budget proposal for 2012-13 represents another step in the right direction.

This budget proposal builds on your successful 2011 legislative session, in which you closed a \$10 billion deficit on time and without resorting to fiscal gimmicks, while also enacting important measures to redesign and consolidate state government.

We support the Executive Budget proposal, which continues on a path of fiscal stability and economic growth.

Taxes and Spending

I am extremely pleased to be here for the second year in a row to wholeheartedly support the aspects of the Executive Budget pertaining to spending and tax policy.

We are also supportive that, according to the New York State Division of the Budget, the 2012-13 budget closes a projected \$3.5 billion deficit - through a plan consisting of \$2 billion in savings in state spending and "includes no borrowing for operating expenses, no new taxes or other fiscal gimmicks."

Additionally, the proposed budget reduces "out year" budget gaps, with future deficits now projected to be \$715 million for 2013-14 and 2014-15 – far below previous projections.

Structural budget reform and control is something that the taxpayers and the businesses that I represent have consistently noted as a major concern. We urge you to continue on this responsible path.

In addition to the spending controls proposed by the Governor, Unshackle Upstate supports the Executive Budget in that there are no new or increased taxes or fees.

We are also supportive of other specific proposals within the Executive Budget, including:

- The merger and reorganization of state entities
- enhancing tax credits for solar energy systems
- clarifying the Public Service Commission's authority over VoIP services; and
- providing real mandate relief to school districts and local governments.

Merger of State Entities

Unshackle Upstate has long-supported initiatives that will streamline and "right size" state government. Last year, we supported the *Executive Reorganization Act of 2011* and the various

state agency mergers and consolidations that occurred. Furthermore, we support the continued work of the Spending and Government Efficiency (SAGE) Commission, and remain optimistic that the Commission's work will continue and highlight additional areas for savings in and reform of state government.

State government remains too big and too costly. Efforts such as this one to eliminate and consolidate state agencies are critical in order to eliminate waste and inefficiency in state government.

We believe that this proposal is a necessary component of a responsible spending plan. We encourage the Legislature to work with Executive to ensure that this proposal is a part of the 2012-13 Enacted State Budget.

Tax Credits for Solar Energy Systems

The Executive budget includes two measures to expand the income tax credit and sales and use tax exemptions for qualified solar energy systems equipment.

The first proposes to extend the state sales tax exemption on solar purchases to include commercial solar system owners. The current sales tax exemption only applies to residential solar purchases.

The second extends the current personal income tax credit to homeowners that lease a solar system. The state's 25% tax credit currently applies only to homeowners who own the system. The Executive Budget proposes a tax credit equal to 12.5% of the annual leasing costs for those that lease such systems. The credit can be carried forward five years in the event that it is larger than the applicant's annual tax liability.

New York State has a long history of supporting the development of renewable energy. Solar power is clean, locally generated, renewable energy that can be a larger component of New York's energy future.

Unshackle Upstate supports efforts to expand solar energy production, but it must be done in a manner that does not further increase the already high energy costs that the residential, commercial and industrial ratepayers of New York State must bear.

Because this proposal will achieve its goals without increasing the already high cost of energy that ratepayers must bear, Unshackle Upstate supports the enactment of this Article VII language.

PSC Authority Over VoIP

The budget includes language amending the Public Service Law to clarify the authority of the Public Service Commission (PSC) with respect to Voice-over-Internet-Protocol (VoIP) services. It directs the PSC to refrain from regulating the rates, terms and conditions of retail VoIP services delivered over the Internet. This language will not affect the assessment of E-911 fees,

telecommunications relay service fees, or federal Universal Service Fund fees on VoIP services. New York State consumer protection laws and other laws of general application that apply to the operation of businesses in the state will continue to apply to VoIP services (e.g., prohibiting unfair or deceptive trade practices, etc.).

Unshackle Upstate supports this long-overdue modernization of the state's telecommunications law. This proposal will foster growth in VoIP communications and encourage competition in the telecommunications industry.

Eight of the state's ten Regional Economic Development Councils (REDCs) have identified the need to improve their respective region's telecommunication's infrastructure in order to grow jobs. While this budget language is just one small step in that direction, it will demonstrate to business leaders throughout the state and beyond that New York's leaders are committed to job creation and improving the economic climate.

Clarifying the PSC's authority over VoIP services will benefit consumers, who will see greater competition in telecommunications services and lower prices. It will be especially beneficial to consumers living in rural areas of Upstate New York, as VoIP brings the potential for jobs and new economic opportunities. It will enable rural businesses to change the way they do business, and create the possibility for rural communities to create higher-paying information age jobs.

It is essential that New York State enact policies that promote continued private sector investment in its telecommunications network. Upgrading the state's existing "rotary telephone regulatory structure" to reflect the current realities of the "smartphone world" is a good first step.

This is an important regulatory reform measure. We hope to see more efforts of this nature – in the telecommunications realm and elsewhere – that will enable businesses to compete and flourish without unnecessary government oversight.

Mandate Relief

We commend the Governor and the members of the Legislature for your work in 2011 in enacting the 2-percent property tax cap – this has been a long-standing priority for Unshackle Upstate. This new law will not only provide predictability for homeowners and businesses, but it will also positively transform the way in which our local governments operate.

But in order to enable local government and school districts to live within the cap while continuing to provide essential services, we cannot stop there. Now, with the tax cap in place, we remain committed to advancing meaningful mandate relief for businesses, local governments and school districts. Our two-part mandate relief efforts this year will focus on reforms that will provide for private sector job growth and elements that will make our communities more affordable.

In November, Unshackle Upstate joined a historic coalition of eleven prominent business, local government and educational organizations for a new, comprehensive initiative to advance significant mandate relief – *Let New York Work: A Common Agenda for the Common Good*. Our agenda consists of six key measures that will provide relief from unfunded mandates faced by all New Yorkers:

1. *Make the pension system predictable and affordable* – The state should offer two retirement options to new employees – a reduced defined benefit plan or a new defined contribution plan that is controlled by the employees and does not weigh down taxpayers.
2. *Redefine compulsory arbitration* – A number of amendments are needed to the state’s compulsory arbitration statute that will benefit local municipalities and taxpayers such as: defining the ability to pay; prohibiting consideration of non-compensation issues; limiting access to binding arbitration; and, adding transparency to the arbitration process.
3. *Reduce the costs of construction on public/private projects* – The state should enact a number of measures that will spur building and development such as: supporting alternative project delivery methods like design build; increasing the Wicks Law threshold across the state; enacting the Public Construction Savings Act (S.4121 Ranzenhofer/A.7855 Schimminger); and making common sense changes to the antiquated Scaffold Law.
4. *Freeze step increases when contracts expire* – The state’s Triborough Amendment allows public employees’ pay continue to increase under an expired contract, placing additional burdens on school districts and municipalities. We believe that this must be repealed.
5. *Establish minimum health insurance contribution level for employees and retirees* – Employers should cover no more than 85 percent of a single healthcare premium or 75 percent of a healthcare premium for families or retirees.
6. *Prohibit new unfunded mandates* – The state should not impose any future mandates on municipalities, school districts and taxpayers. Enacting the Unfunded Mandate Reform Act (S.5379 Martins/A.8150 Morelle) and requiring a super-majority to add new unfunded mandates would be beneficial.

Unshackle Upstate is very pleased that one of the *Let New York Work* agenda items (a Tier VI pension plan) was included in the Executive Budget. Unshackle Upstate saw the 2009 enactment of the Tier V pension plan as a good start, but immediately recognized the need for further reforms in order to create savings – most notably a defined contribution plan.

We are supportive of this new pension proposal, which in addition to including an optional defined contribution plan for all state employees, also increases employee contributions based on salary, raises the retirement age, and makes other pension system modifications that will substantially reduce pension costs for the state and local governments.

Pension costs are among the highest costs facing local governments, and these costs continue to outpace the ability of local governments to pay for them. The Governor's proposal for a new pension Tier VI will save the State and local governments outside of New York City \$83 billion over 30 year period, and is estimated to save New York City some \$30 billion over that same period.

It is essential that New York State enact policies to lower the cost of state and local government. Unless the state enacts sensible pension reform now, our costs will continue to grow. This proposal represents a fair, common-sense solution that will provide local governments and school districts with relief from the growing pension costs. We ask that the Legislature work with the Governor in enacting this Tier VI proposal.

Minimum Wage

This is not the right time for New York to be considering this bill.

While many will argue that the minimum wage is currently too low, it does follow the federal guidelines where the issue should remain. We have great concerns that raising the minimum wage without lowering the cost of business in New York will have a negative effect on job creation.

Putting aside the impact this will have on unemployment and workers compensation rates for employers, raising the minimum wage will not create jobs. In fact, it will have an impact on the ability of this legislature and the governor to create summer youth employment opportunities which was a priority established in the December tax code changes.

Please do not entertain raising the minimum wage this year. Studies indicate that people that get this wage are our youth, our less skilled workers, or those that are 2nd, 3rd, or 4th income earners in a family. This is a time when New York needs to create jobs not entertain a proposal that will further impact our upstate communities.

In conclusion, Unshackle Upstate is supportive of the Executive Budget and we strongly advocate for the Enacted Budget in March to include the same approach to spending and tax policies. In similar fashion to previous years, our coalition will continue to work with the elected officials in Albany to ensure that the taxpayers are heard. We urge you to build on the successes of the 2011 legislative session as you construct the 2012-13 state budget.

I greatly appreciate the opportunity to share Unshackle Upstate's priorities with you this afternoon and would be happy to respond to any questions that you may have.

Thank you for the opportunity to share our views with you.

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