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Other end of the tax bargain: Empire Zone companies that failed to create work with levy breaks may be penalized

By Eric Anderson

ALBANY — Companies that got tax breaks but failed to create jobs will be hearing from state officials in coming months.

“We’re about to send notices out to companies in the Empire Zone program that haven’t met their job creation requirements,” said Patrick Foye, downstate chairman of Empire State Development.

Foye made his comments Tuesday during a panel discussion on the state’s economy, held at Rockefeller Institute of Government in Albany. Those companies likely would have to repay at least some of the benefits they’d already received.

The panel was discussing a new study, prepared by New York City-based consulting firm A.T. Kearney, that recommends focusing on emerging sectors of the “innovation economy” to create jobs and boost economic activity.

Focusing public investments on nanotechnology, bioscience and clean technology could create as many as 330,000 new jobs statewide by 2014, the study said. The higher-skilled jobs also typically pay twice what jobs outside the innovation economy would pay, the study says, while generating an additional 3.5 jobs each.

“New York state must look to the innovation economy — if they want to generate long-term growth and revitalization,” said A.T. Kearney partner Jim Singer, who led the study.

The study also outlined obstacles to this growth, including the high costs of doing business, the high taxation in the state, high power costs, stifling regulations and an aging infrastructure.

But it pointed out that upstate’s well-educated work force, with 27 percent of adults holding at least a bachelor’s degree, was an attractive asset to companies.

Rethinking how Empire Zone and other financial incentives are invested also must be examined, according to Singer.

“A significant amount of funding is going to local businesses that follow rather than spur growth,” he said.

Empire Zone benefits typically include tax breaks and other incentives. Empire State Development also can provide grants and low-cost loans to companies planning to relocate or expand.

Foye didn’t say how many companies had failed to meet their job creation commitments, describing it only as “a significant number.” Panelists said the state needs to become more friendly with business.

“Site selection consultants ... mention they have a very short list of states and nations,” Singer said. “They have historically said New York state doesn’t even appear on the map.”

Panelist Kathryn Wilde of the New York City Partnership said neighboring Connecticut “has a higher research and development tax credit ... That’s the kind of policy I think New York state should be looking at.”

She also was critical of academic institutions, which she said “have not been commercial-friendly.”

The Legislature’s lack of action on a congestion pricing plan for New York City also drew some criticism. That plan basically charges vehicles to enter a crowded section of the city during peak traffic periods.

“We will lose market share to world cities like London that can get these things done,” Wylde said.