



NEW YORK STATE LEGISLATURE

Senate Finance Committee Assembly Ways
& Means Committee

Senator Liz Krueger, Chair

Assembly Member Helene Weinstein, Chair

HEARINGS ON THE 2024-25 EXECUTIVE
BUDGET PROPOSAL: ECONOMIC
DEVELOPMENT

Testimony of Charles Khan

**Lead, State and Local Tax, Wall St. & Corporate
Accountability Campaigns**

Center For Popular Democracy

Good afternoon Senator Krueger and Assembly Member Weinstein and members of the Committee.

My name is Charles Khan and I have worked on tax, Wall St. and corporate accountability work for the past decade. Thank you for the opportunity to present testimony on the behalf of the Center For Popular Democracy today.

The Center for Popular Democracy is a network of 53 grassroots organizations across 131 cities, 34 states, Puerto Rico, and Washington DC, including 4 affiliates in New York State. We work to create equity, opportunity and a dynamic democracy where people of color, immigrants, working families, women, and LGBTQ communities thrive together, supported by a resilient economy and political institutions that reflect our priorities.

New York State government has made a lot of progress in the last few years – huge new legislative packages have been passed into law on democracy and voting, on reproductive health care, on immigrant rights, on childcare, on public health and on environmental justice.

The Legislature has done amazing, transformational work to make New York a real national progressive leader – and last year, you brought that energy and devotion to your constituents to budget and fiscal issues.

You recognized that short-term federal funding wasn't enough to move New York out of our triple crises of COVID, racial inequity and extreme inequality. You courageously implemented fair, progressive tax increases on wealthy New Yorkers and on big corporations to fund long-term investments in people and communities.

However, where NYS has not made progress is in being a transparent and proper steward of the public money on economic development.

Empire State Development Corporation, the Department of Economic Development, and local IDA's continue to handout billions of dollars in tax breaks in the name of job creation without trackable, transparent, and clear metrics for those goals.

Every year Governor Hochul has added hundreds of millions of dollars into that pot and every year New York continues to fall short of the jobs and economic impact that are promised to New Yorkers.

There was the Buffalo Billion, The Tesla Deal, The Central New York Film Hub, The Plug Power Deal, and most recently the \$100 million dollar DeWitt Factory, all failures, all waste of public money.

In a moment when the Governor cautions the state about economic uncertainty and proposed cuts to both education and medicaid funding, how could we possibly suggest putting \$800M additional dollars into this failed program.

Every year New York ranks near the bottom of the nation in the efficacy and transparency of its economic development. We spend the most money and get the most embarrassing returns.

We need to reform and reprogram “economic development” spending into programs and projects that advance the public good.

We can navigate uncertain times, and economic boons while fighting extreme inequality through public investments that will benefit regular New York families in their daily lives. And a strong economy for all means more than dollars and cents.

To achieve this goal and win these investments we must reprioritize, and revolutionize how New York State invests.

1. The Legislature should **reform and reprogram** the now \$11 billion-plus in current “economic development” spending and billions in new planned spending away from corporate subsidies and donor giveaways into investments in people and communities
2. The Legislature should **reject** Governor Hochul’s plan to spend a \$880 million on new economic development and redirect it towards public goods and public investments.

The safest and most thriving neighborhoods across the state don’t have the most jails, or the most patrols, or the harshest laws. What they have are the most resources and investments for healthcare, childcare, and education, the most green spaces, and the best jobs.

We don’t need more corruption and quid-pro-quo development deals -- we need long-term investments in New Yorkers and our communities that deliver tangible benefits like higher wages, increased affordability, and family supports. That will keep New Yorkers here and stem the out-migration of working class New Yorkers facing an affordability crisis and frustrated with how New

York has prioritized its spending.

We don't need the same constellation of billionaires, big corporations and lobbyists that have turned "economic development" into a Eleven-billion-dollar slush fund of public money used to grow the fortunes of the ultra-rich -- we need lawmakers and Governor Hochul to step up and use public resources to benefit the public.

New York State is one of the most prolific users of so-called "economic development" incentives in the country, spending over \$10 billion annually at the state and local level on subsidies to select businesses. For all that, our state has very little to show other than empty factories, underwhelming job-creation numbers, and a slew of corruption scandals.

Instead of addressing these obvious problems, Governor Hochul has repeatedly moved to double spending at the Empire State Development Corporation – literally doubling down on failure.

It's time to try something new. But to truly reform the economic development system so that it focuses on people, communities, and local businesses, policymakers have to understand what went wrong.

In 2022, we worked with partners to publish a report on "the dirtiest dozen" – [New York's worst economic development deals](#).

It's remarkable – New York has:

- Wasted over \$4 million dollars per job in a single deal – we literally could have paid each of the 68 workers hired four million dollars and have them set for life, but we gave the money away to a private corporation that hasn't made a

profit in the decades it has been in existence;

- Spent nearly \$150 million on empty buildings and office parks with no job creation;
- Paid hundreds of millions of dollars for equipment later scrapped and sold by private businesses;
- Provided billions in taxpayer subsidies to pad the wealth of billionaires like Jeff Bezos, Stephen Ross and Steven Roth.
- Our current so-called “economic development” programs have drawn criticism from the [left](#), [right](#) and [center](#) for ineffective spending and straight-out [corruption](#). State leaders, including both former Governor Andrew Cuomo and current Governor Kathy Hochul, have thrown money at private businesses in wild and wasteful ways. A data and call center in Lockport got a half-billion in subsidies amounting to \$2.4 million for every job created. A money-losing start-up just got a quarter billion in subsidies to create 68 jobs in rural Genesee County – that’s a ridiculous \$4 million per job. And out-of-control economic development programs have been marked by a string of corruption convictions for fraud, bribery and misuse of public funds, from Syracuse to Buffalo to Long Island.

The extensive [State Senate hearings](#) demonstrated that officials at the relevant agencies still don’t have any clear standards for awarding subsidies and don’t keep track of returns on investment, if any. Beneficiaries of some subsidies claimed they were “successful” because they returned pennies on the dollar.

This is not the moment to take our eyes off the prize or assume the ESDC or DED have gotten the message because they haven't. The Governor's proposal are more of the same— and that means waste.

To deliver the economic opportunity that New Yorkers want and deserve, the Legislature must make sure that public resources actually work for the public. If this year's budget simply delivers the same kind of insider deals like the Buffalo Bills Stadium or the controversial Belmont horse racing deal , it will amount to an epic failure and a clear signal that New York State is not serious about protecting New Yorkers from waste.

Governor Hochul's budget proposal continues to prioritize corporate giveaways, and looks to balance the budget on the backs of working New Yorkers while failing to invest in the services and programs that keep all New Yorkers safe and thriving.

New York's wealthiest profit from our work, our communities, and our public infrastructure - as a result of our backwards tax system, they are able to avoid paying what they owe. We need to restructure our tax system so that a middle-class family isn't paying the same rates as a millionaire, and so "economic development" grants don't defund schools and services to pad the profits of huge private businesses.

Real reform will take time -- but there's a few places to start, this year:

REFORM AND REPROGRAM ALL "ECONOMIC DEVELOPMENT" SPENDING

- Re-evaluate and re-program the eleven billion dollars currently spent on burned-out "economic development" programs that consistently over-promise and under-deliver and invest it directly where we know it's most needed, into people and communities.
- Investing in childcare, higher education, mixed-income affordable and homeless housing, health care and climate justice will pay off now by making New York more affordable, creating tens of thousands of good-paying union jobs, and in the future with expanded economic opportunities and cost savings.

STOP TAX CREDITS

- No More Business Tax Credits: Business tax credits generally don't work to boost the economy, invite corruption, and rob the state of revenue – impose a 90-day sunset on all current tax breaks in this year's budget.

STOP IDA GIVEAWAYS

- No More Tax Breaks: Eliminate the ability of IDAs and other economic development projects to give property tax, sales tax, and mortgage recording tax breaks to businesses in this year's budget.
- Pass legislation to block IDAs that defund schools & subsidize warehousing: Legislation carried by the chairs of the economic development committees and the chair of the Black, Puerto Rican, Hispanic & Asian caucus would

eliminate IDA grants that defund public education or subsidize wildly profitable companies like Amazon – they should be passed by both houses and signed into law.

STOP DIRECT GRANTS TO PRIVATE COMPANIES

- No More Grants: The state should not grant money to businesses as part of economic development initiatives. Where state financial support is necessary, we can do it with loans and tax-exempt bond financing.
- End wasteful subsidies to billionaire developers for luxury housing,

START INVESTING IN PEOPLE AND COMMUNITIES

- Investing in early childhood education & child care provides some of the highest returns of any investment states can make.
- Nationally and in New York there remains a massive worker shortage. By investing childcare we would enable thousands of parents to re-enter the workforce.
- New York continues to suffer from a worsening housing affordability crisis. New York can create thousands of jobs and create thousands of affordable homes by keeping 421-A scrapped and investing in a truly affordable and effective housing program.
- By investing in higher education, New York would make itself more attractive to businesses looking to grow and entrepreneurs looking to start new businesses

VOID ALL DEALS WITHOUT CLAWBACKS

- Apply clawback and public transparency requirements to all existing state and local “economic development” -- New Yorkers deserve an ironclad money-back guarantee on job-creation promises.
- Any contract or subsidy agreement that doesn’t require performance is void against public policy and law, and no subdivision of government has the legal authority to just give cash to companies for nothing.

VOID ALL DEALS WITH NON-DISCLOSURE AGREEMENTS

- Apply full public disclosure requirements to all existing state and local subsidy deals – no subdivision of government has the power to enter into secret dealings, and any attempt to do so is void against public policy and law.
- Bar any “economic development” grants to campaign contributors, and require black-out periods for campaign contributions before and after applications for state grants.

END ALL STATE AND LOCAL SUBSIDIES FOR WAREHOUSE & LOGISTICS FACILITIES, INCLUDING AMAZON

- - Good Jobs First, a national watchdog group, has [demonstrated](#) that Amazon’s siting decisions are entirely dependent on a corporate algorithm that calculates the geographic distribution of customers, delivery times and current and anticipated sales volumes – it has nothing to do with subsidies.

- Warehouse and logistics facilities are among the most [lucrative and in-demand](#) of all real estate developments in every state, and they're attracting large amounts of private capital. There's absolutely no need for state or local governments to subsidize their building or operations – that should be outlawed.

END ALL STATE AND LOCAL TAX BREAKS THAT DEFUND LOCAL SCHOOL DISTRICTS

- Good Jobs First has also [demonstrated](#) how local and county tax breaks defund our public schools – local schools lose thousands of dollars per student to pay for ineffective, wasteful, fraudulent, corrupt and sometimes criminal giveaways to well-connected private businesses.
- Parents have already begun to take action calling to dissolve their local IDA because of “unnecessary tax breaks, failure to publish basic information required by state rules, and the financial squeeze on schools”

END ALL STATE AND LOCAL SUBSIDIES AND TAX BREAKS TO CAMPAIGN CONTRIBUTORS

- Whether it's criminal corruption or the corruption of public ethics, the quid pro quo of donations for dollars is outrageous. There's no way elected officials should be able to take campaign contributions and then direct public subsidies and tax breaks to their donors. It's time to end wasteful tax breaks, corporate subsidies and real estate development favors to the well-connected.
- New York's Economic Development program is broken. Its not too late to fix it, we know whats wrong, but we have got to start now.

