Economic Development

There is a disconnect between the Governor's statements on his stewardship of a growing and strengthening New York State economy and the reality in the numbers that tell the real story of New York's anemic economy. Governor Pataki has substituted project announcements for a well-planned, cohesive strategy for combating New York's lagging economy and sluggish job growth.

In his final Executive budget proposal, Governor Pataki continues to offer the same policy prescriptions for creating jobs. Specifically, the Governor proposes $475 million in new capital initiatives funding that embodies his over-reliance on simple project announcements rather than having a cohesive strategic vision for improving economic growth. Further, only limited information has been provided on these projects. The Governor proposes to expand the Empire Zones Program and accelerate the designation of new zones first authorized in SFY 2005-06.

Poor Performance in Job Growth

According to the state Department of Labor, New York has been below the national average in job growth rates since 1995, ranking the State 45th in the country in annual average employment growth from 1995-2004. If the State grew at the national average, 502,100 additional jobs would have been created during the Pataki Administration.

Despite the Governor's claims that his programs have created and retained jobs the U.S. Bureau of Labor Statistics has recently reported that 11,000 New York workers went unemployed because of mass layoffs just during the third quarter of 2005.

The migration of firms in the manufacturing sector to locations outside New York hits the Upstate region particularly hard. According to the Brookings Institution, Upstate New York's "manufacturing sector remains an important contributor to its economy. Yet its manufacturing sector pays less for every manufacturing job—about $46,650 in 2000—than the average for manufacturing in the United States of over $51,300 per job." Unfortunately, since 1995 the State has lost up to 205,100 manufacturing jobs alone.

No Plan for Upstate New York

The manner in which the Governor has addressed the issues affecting the lagging Upstate economy has been nothing short of negligent. According to the Public Policy Institute from 1990 through 2003, Upstate New York's top six metropolitan areas registered only 2.3 percent job growth. Further, during the Pataki Administration, from 1995-2004, average annual employment growth Upstate was a mere .3 percent. During the same period, job growth nationally was 1.3 percent. Of the 512,800 jobs gained by the State

> *"Upstate's job growth would be last, 51st in the nation when compared to the growth rates achieved by other states from 1995-2004."*

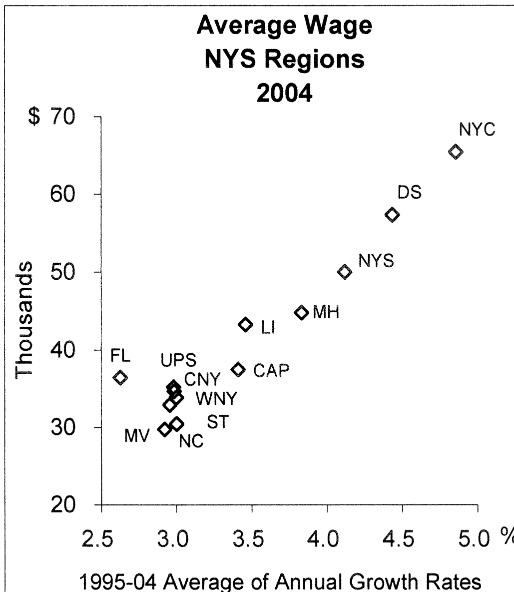
between 1995-2004, only 76,000, 14.8 percent were gained Upstate. This growth rate would rank Upstate last -- 51st in the nation when compared to the growth rates achieved by other states.

Lagging job growth put New York in a category below traditional "Rust Belt" states including Ohio, Michigan, Indiana, Wisconsin, and Minnesota, all of which grew jobs four times faster than Upstate from 1990-2000.

As the prospects for employment opportunities in Upstate New York continued to weaken, working families who live just one pink slip away from economic ruin continued to migrate to other areas in the nation. During the Pataki Administration, the average annual population growth rate for Upstate New York was 1.1 percent. According to the U.S. Census, when compared with other states, Upstate's population growth was less than that for all but two states: North Dakota and West Virginia.

Working families in Upstate New York were also forced to bear the burden of poor wage growth during the Pataki Administration. While wages in the Downstate region grew at an average annual rate of 5.3 percent annually (compared to State and national growth rates of 5.2 and 4.9 percent respectively), Upstate New York's annual wage growth rate was only 3.3 percent a year. If Upstate had grown at the same rate as the State during this period, the average wage would have been $3,460 higher in Upstate in 2004.

The divergence of Upstate wage and employment growth from the rest of the state only serves to reinforce the continued problems of the area. During the Pataki Administration, regions with higher average wages also experienced higher average growth rates in average wages (Figure 10). In 2004, the average wage in the New York City region was $65,400, the highest among all regions of the State. This was more than twice the average wage in the Mohawk Valley region, which at $29,800, was the lowest among all regions of the State.



Note: Average wage from lowest to highest: Mohawk Valley; North Country; Southern Tier; Western New York; Central New York; Finger Lakes; Capital; Long Island; Mid-Hudson; New York City.

Sources: NYS Department of Labor, QCEW; NYS Assembly Ways and Means Committee staff estimates.

Figure 10

Mismanagement of the Empire Zones Program

In 2000, the Assembly established the Empire Zone Program, designed to spur economic activity in our aging inner cities and run-down commercial strips. While the original concept of the program was to provide incentives to businesses to locate in distressed areas of the State, mismanagement by the Pataki Administration under-cut its effectiveness from the beginning.

When boasting about New York State's economic development and improved business climate, the Governor has repeatedly hailed the State's Empire Zone Program as the reason for much of the in-migration of jobs and goods to the State. Unfortunately, a lack of appropriate oversight by the Governor has undermined the program. Recently the Empire State Development Corporation disclosed that there is approximately $12.9 million dollars in penalties and fees due from businesses that have failed to meet their job growth commitment requirements of the Empire Zone Program.

The Empire Zone Program provided an estimated $291 million worth of tax breaks in 2004. An audit from State Comptroller Alan Hevesi found that "forty-seven percent (of businesses receiving Empire Zone credits) fell short of what they projected..." The legacy of the Pataki Administration's mismanagement of the Empire Zone program will remain with tax payers for years to come.