

# The New York stigma: Worst business climate in the country

Written by

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5:42 PM, Feb. 26, 2011|

New York's **business** climate is considered by many to be the worst in the country.

But executives of at least one global company think New York is the place to be.

Impress USA, acquired in December by Ardagh Group, invested about \$30 million to open a plant in Broome Corporate Park, Conklin. Company, town and **economic** development officials celebrated the grand opening of the 91,000-square-foot facility in November.

The 24/7 operation now employs 63 people, mostly hourly workers in mechanical technician jobs, plant manager Michael Shelhamer said. They work on the plant's two production lines, making easy-open, pull-tab can tops for customers including Del Monte pet food and StarKist tuna.

"We have a very good relationship with New York," said Shelhamer, noting that state and local officials were aggressive in trying

to attract the company, giving it financial incentives including grants, loans and property tax assistance to locate here.

Company executives have previously said Impress hadn't planned on opening in New York, but Shelhamer said they've found Conklin to be strategically located to the company's existing and potential customers and steel sources, as well as close to interstates and a strong work force of "the best people" who "give us a very good competitive edge."

Meanwhile, a number of companies and analysts still say the state's tax climate is anti-business and hindering economic recovery. Gov. Andrew Cuomo is trying to remedy New York's fiscal woes as the state's unemployment rate hovers around 8 percent.

## Worst in the U.S.

A study from the Washington, D.C.-based Tax Foundation published in November

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ranked New York's business climate as the worst out of the 50 states.

"It's a fairly straightforward equation: We spend a lot in New York and therefore our taxes are high," said Robert Ward, the assistant director at the Rockefeller Institute for Government.

A report last June issued by the Public Policy Institute of New York State found the state ranked first in Medicaid costs and in K-12 education spending among the 50 states.

In addition, New York is third in costliest electric generation, fourth in state and local spending per capita and second in state and local taxes as a percentage of state income.

New York also suffered the largest loss of residents to other states in the nation from 2000 to 2008, with more than 1.5 million people leaving, a 2009 report from the Empire Center for New York State Policy found.

As a result, two congressional districts will be lost in 2012, according to Census data, further reducing New York's influence on the national stage.

A lack of qualified employees -- especially younger people in the upstate regions -- has made the problem worse, Ward said.

"We export more residents than any other state," he said. "Exporting population means that you are losing a significant contributor to economic activity. They

create **businesses**. They support economic activity and jobs. So every time an individual moves out of New York, we're losing some of our economic vitality."

## Year of change?

Business groups hope this is the year those trends begin to change.

Cuomo has proposed a 2 percent cap on the annual growth of property taxes, which passed the Republican-controlled Senate in January and is being debated in the Democratic-led Assembly.

He also wants to create 10 regional economic development councils that would compete for state **money** in developing job-creating ideas.

Cuomo's overall goal is to "right-size" state government by stemming the automatic cost increases in Medicaid and education, while also closing a \$10 billion deficit without raising taxes.

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A major theme of Cuomo's first months in office has been fixing the negative perception businesses have of New York.

"New York has no future as the tax capital of the nation," Cuomo said in his first State of the State address in January. "Our young people will not stay. Our business will not come. This has to change."

The governor's \$132.9 billion budget has drawn praise from the business community. It's the first budget in 15 years to seek to lower year-to-year spending in New York, and would drastically lower the state's future deficits.

The budget's main purpose is to at least keep New York from further slipping into the economic doldrums, said Ken Pokalsky, the senior director of government affairs at the state Business Council, a lobby group.

"A lot of states are doing the same type of cuts," Pokalsky said. "Not to pass (the budget in New York) just pushes us down further in the competitiveness."

Businesses are especially hopeful that Cuomo's property tax cap will be acted on this year. The Tax Foundation found last year that Westchester County pays the most in property taxes in the country, while upstate counties, led by Monroe County, paid the most in property taxes compared to home values.

"These property tax caps have been very popular," said Kail Padgitt, an economist at Tax Foundation.

Neighboring states New Jersey and Massachusetts already have caps in place. But some of the caps, especially New Jersey's provision, have exemptions that do little to control costs, Padgitt said.

"That's going to be the big key. Businesses need to also make sure that the cap is iron clad," he said. "Indiana's tax cap is for residential homes, but not commercial property. Businesses always want to be careful to understand the cap and how binding is it going to be."

The cap is opposed by the powerful state United Teachers union, which argues tying property taxes to a household's income is a more effective approach.

But that solution, known as the circuit breaker, is considered too costly for the cash-strapped state.

Others point to the failure of the state's economic development efforts.

"Unshackle Upstate believes strongly that

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economic development programs do little to address the core and fundamental concerns that business leaders have about rising health care costs, taxation and excessive government regulation," Chris Wiest, vice president of Rochester-based Unshackle Upstate, told a joint budget committee of the state Senate and Assembly this month.

The state Legislature voted last year to phase out the Empire Zone program, which provided tax credits for businesses in exchange for job creation. The program was criticized for its high costs and lack of accountability.

In its place, the Legislature created the Excelsior Jobs program, which targets key industries for job creation, but provides less tax credits -- about \$50 million a year.

Brian McMahon, executive director of the state Economic Development Council, believes that in addition to addressing the tax burden, New York needs to take advantage of its college and university system.

Higher education in New York needs to be geared toward training workers for emerging fields in **technology**, he said. The state's public colleges are seeking more autonomy from the state Legislature to develop public-private partnerships.

"The problems that businesses face is that while there are people looking for jobs they aren't trained for the proper skills that the businesses are looking for," McMahon said.

"It's not just what they need today, but what they'll need tomorrow."

Still, some **businessowners** say they want to remain in New York because of the assets the state can offer.

"We have a lot of economic advantages and assets," McMahon said. "If we can reduce the cost of operating a business here, those assets become all the more valuable."

**Press & Sun-Bulletin Business Editor My-Ly Nguyen contributed to this report.**

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