



MANUFACTURERS ASSOCIATION OF CENTRAL NEW YORK

Fifth Floor
One Webster's Landing
Syracuse, New York 13202

Tel: 315-474-4201
Fax: 315-474-0524
www.macny.org

New York State Division of the Budget

Karyn Burns
The Manufacturers Association of Central New York
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To start, I would like to thank you for facilitating this public hearing, and also for recognizing the immediate need to collect the community's input on pressing needs for inclusion in the state's budget cycle. My name is Karyn Burns, and I am the Director of Communications and Government Relations for the Manufacturers Association of Central New York.

Few can dispute the importance the manufacturing sector is to the economic vitality of New York State. Manufacturing alone is responsible for 550,000 jobs in New York State, and provides over \$61 Billion of New York's annual GDP. With its undisputed multiplier effect, every one job in manufacturing creates more than 2.5 jobs in another sector. The average pay for a job in manufacturing is \$60,000. Simply put, manufacturing is essential factor in New York State's continued success in economic growth.

However, due to its coveted impact on economic development and revitalization, New York based manufacturing has become increasingly vulnerable over the years, susceptible to both national and international competition. New York businesses continue to shut down and relocate either overseas or to different parts of the country, due to luring incentive packages, lower production costs, cheaper wages, and lower taxes. On account of these continuous burdens to our sector, MACNY works consistently with Albany lawmakers to create and revise legislation that will derail some of these burdens to the manufacturing sector, and allow them to thrive in New York State. For the upcoming legislative session and budget cycle, I urge you to address the following pertinent issues:

Create a New State-Wide Energy Plan

MACNY has been a leader in lobbying the New York State Legislature for a comprehensive, long-term solution to alleviate the high energy costs inflicted on New York State manufacturers. Last year, we were victorious in extending the current power programs, including Power for Jobs, Economic Development Power and High Load Factor programs until June 30, 2008. Unfortunately, despite the current programs acting as buffers for businesses against the increasing energy costs in the State, the programs were originally created as short-term solutions, and because of this, they are beginning to outdate themselves and their usefulness to the businesses who participate in them. MACNY would like to see these current programs, upon their scheduled date of expiration, phase into a single, state-wide comprehensive and long-term economic development power program.

A large contributor to the success of such a program relies on reassessing current power sources and where they are most effective. As part of our proposed solution, MACNY urges the state government to consider allocating the 455 megawatts of hard-wired hydropower from the Niagara and Saint Lawrence-FDR hydroelectric projects to economic development power programs, supporting jobs in New York State and improving the quality of life for your constituents.

Throughout the years, many have debated the best use of the 455 mw of hydropower in New York. MACNY firmly believes that allocating this resource to energy intensive manufacturers will make the State of New York a better place to live. Many out-of-state manufacturers are currently looking to relocate, but choose not to do so in New York because of our high energy costs. The simple fact is this: allocating the hydropower to the business community will not only help New York retain businesses already located here, but also attract and retain strong, growing out-of-state manufacturers. Low-price hydropower cuts the bottom line for businesses, making them more competitive with out-of-state businesses for capital dollars, investments and expansion. Businesses with continuous low-cost energy can plan for the future with confidence because of price predictability from long-term hydropower contracts. Creating a strong energy plan with a hard wired resource such as this hydropower will enhance the ability of manufacturers and businesses to expand and create new family-supporting jobs for New York State residents.

Eliminate the Corporate 9-A tax for Manufacturers

Last year, Albany lawmakers recognized the need to provide a more attractive business climate, and responded with a general tax rate reduction for manufacturers. With this initiative, an estimated 3,400 manufacturing corporations received a reduced rate from 7.5 to 6.5 percent, effective for taxable years starting on or after January 31, 2007. On behalf of the manufacturing community, MACNY is grateful for your obvious support to the manufacturing community in this effort, and encourages you to consider additional reductions in the upcoming budget.

MACNY urges you to continue the reductions of the 9-A Corporate tax rate to manufacturers in the upcoming year's budget, and continue to do so in annual phases until the 6.5% tax rate is eliminated for applicable manufacturing corporations. In doing so, New York State will be making a solid investment in its economic future by proving the manufacturing sector with incentive to continue doing business in New York State. Additionally, with the manufacturing sectors job multiplier effect being as strong as it is, this incentive will increase related jobs and overall investment in the New York State economy. Most importantly, it will be sending a strong message: that New York State values its current manufacturing community, and is ready to step up as a major competitor on the international playing field for retaining talent and manufacturing in our state.

Ease the Medicaid Burden

Another budgetary concern to MACNY's collective membership is the continuous increase in property taxes. Manufacturers are trying to compete with both domestic and international businesses. The effect of high property taxes is two-fold: businesses located here must compensate for dramatically higher property taxes, while outside manufacturers are discouraged from relocating to our state. In addition, it is more difficult to recruit and retain skill labor when they must pay much higher than average property taxes. To create a more business friendly region, Albany must address its spending structure in order to lower property taxes throughout the state. The legislature must reform the budget and restrain state spending to cut taxes for both residents and businesses alike. With this, I fully believe New York State can be a more viable and attractive place to maintain business.

Of specific concern in my testimony today is the large burden that Medicaid costs impose on our current tax system. In order for our business community to remain competitive with the rest of the nation, it is essential for Albany lawmakers to restrain the large and increasing tax burdens imposed by Medicaid.

While recent legislation has eased some of the burden on local taxpayers, more significant reform is needed to cut the costs of Medicaid. MACNY appreciates caps on the growth of county Medicaid cost increases, but we need to go beyond simple caps and truly cut Medicaid spending. According to a recent study conducted by the Manhattan Institute's Empire Center, state-funded Medicaid costs alone are projected to increase by \$5.6 billion, or 47 percent over the next four years. Albany's must now rein in Medicaid spending and prevent a fiscal crisis from occurring. With Medicaid rates as high as they are, and at the rate they are anticipated to increase, New York State will only become less competitive with the rest of the nation with respect to property taxes. *Immediate* reform is needed to solve this.

MACNY believes implementing the following solutions could assist in alleviating spiraling Medicaid costs:

- *First*, reduce "medically needy" loopholes. One obvious example of this is to address the high cost of long term care by plugging the "spousal refusal" loophole allowing wealthy elders to shift the cost of a spouse's care onto taxpayers simply by refusing to pay the bills. Additionally, scrutinizing asset transfers and enforcing stronger eligibility rules for the elderly and disabled will promote more control in Medicaid costs.
- *Second*, lower the "local cap" on Medicaid spending by one-half percent each year, so that the inflation rate paid by individual counties will decrease significantly. If this reduction were implemented, inflation rates are estimated to decrease to 2.5 percent by 2009, and down to zero by 2014, easing the burden on Upstate taxpayers.
- *Third*, implement more aggressive fraud prevention and detection programs. With only 37 cases of fraud investigated across the entire state in 2004, more aggressive action needs to be taken in order to locate cases of fraud and ease on the overall burden of taxpayers.
- *Fourth*, expedite the implementation of disease management programs. An increase in the efficiency and overall improvement in patient care through the usage of disease management practices will provide a more coordinated approach to patient care.
- *Fifth*, rationalize the hours spent on personal care services. The added costs of home attendant services, such as home shopping, need to be reviewed and drastically adjusted. Reducing the average number of hours of care for authorized clients would adjust New York's personal care costs, making them more in line with the national average.

As we near the upcoming legislative session, MACNY looks forward to continuing our work with Albany lawmakers to create business-friendly legislation and make New York State a better place to live for its residents. Thank you for your time.