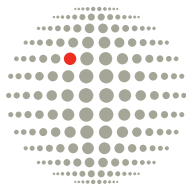




2011 PUBLIC POLICY PRIORITIES

Focusing on economic growth and job creation in New York



Partnership for New York City

About the Partnership

The Partnership for New York City is a nonprofit organization whose members include leaders of New York's pre-eminent international and regional businesses. Partnership companies employ more than 1.3 million New Yorkers and contribute \$202 billion to the annual Gross State Product.

The Partnership was established in the wake of the 1970's urban crisis by David Rockefeller, who was among the first to recognize that great world cities are the essential platform for international business in a global economy.

Partnership members are committed to working closely with government to advance policies that contribute to a healthy economy, a great public education system and world class infrastructure.

APPROACH

To advance its mission, the Partnership leverages its member network of business leaders to inform and influence public policy. Through the New York City Investment Fund, the Partnership directly translates policy positions into action across the five boroughs.

- **Research and Policy:** The Partnership and its members serve as a resource of private sector expertise and creative thinking for public policy makers, the media and others with the goal of stimulating economic growth and making New York more competitive for business investment and jobs.
- **Issue Advocacy:** At City Hall, in Albany and in Washington D.C., the Partnership is the voice of New York City business with respect to issues that impact the economy, infrastructure and public education.
- **Facilitating Collaboration & Consensus:** The Partnership provides a network among business sectors and a bridge between business, government, organized labor and the diverse communities that make up New York City and State. It seeks to build consensus around policies and projects that contribute to a stronger, more vibrant city.
- **Economic Development:** The New York City Investment Fund, capitalized by Partnership members, is the organization's economic development arm. The Fund provides below-market financing for entrepreneurial ventures that contribute to economic growth and alleviation of poverty.

MISSION

The mission of the Partnership for New York City is to maintain the city's position as a world class center of commerce, culture and innovation by mobilizing the resources of business in support of the city and its communities.

Through the New York City Investment Fund, the Partnership contributes directly to projects that create jobs, improve economically distressed communities and stimulate new business creation.

Partnership companies account for nearly 7 million American jobs and contribute over \$740 billion to the national GDP.

2011 Partnership Public Policy Priorities

In 1981, a time when New York faced economic and fiscal challenges similar to conditions today, an advertisement appeared in national magazines with the tagline: "New York State: The Best Place in the World to Do Business." The ad featured then-Governor Hugh Carey, surrounded by bipartisan leaders of the State Legislature, touting the many policy changes and tax incentives on which they voted "Yes!" to attract, cultivate and stimulate business and jobs. This strategy contributed to the renaissance of New York City which, in less than three decades, went from the brink of disaster to a vibrant global center of commerce and finance.

Unfortunately, during the past decade, rather than bolster the City's economic strengths, New York State has drained them. Last year, for example, State spending increased 8.7% while tax revenues fell by .8%. In 2011, thanks to a history of spending beyond its means, the State faces a budget deficit of more than \$9 billion. Its fiscal problems are cascading down on New York City, where taxes are the highest in the nation and state mandates on employers and local government are a brake on job creation and business investment.

It will take an extraordinary public-private partnership to overcome New York State's fiscal and economic challenges and to restore confidence in its future as a competitive environment for investment and innovation. Toward that end, the Partnership will focus its 2011 advocacy on four key areas:

1. Restore responsible **fiscal management** to New York State through spending reductions, more competitive tax policies, and revision of laws and regulations to achieve efficient and cost effective government operations and reduce mandates on local government.
2. Promote **economic growth and job creation** through tax and regulatory policies that encourage job-creators to innovate, expand and invest in New York.
3. Reinforce New York's status as a center of global talent and **intellectual capital** by supporting continued reform of public education, expanding industry-university collaboration and providing leadership in support of national immigration reform.
4. Invest in New York's **infrastructure** through creative public-private partnerships and collaborative efforts to bring more federal grants to the city and state.

NEW YORK STATE VOTES "YES" FOR BUSINESS.

New York State's public leaders have begun a big, broad business boosting program to create more private sector jobs.

Gov. Hugh Carey, the legislature leaders, and both houses of the Legislature have voted "Yes" on programs to attract, cultivate and stimulate business.

Here's just a sampling of the "Yes" votes that have been heard in Albany so far:

- Yes! A sweeping deregulation of the overly restricted banking industry.
- Yes! The lifting of credit ceilings to stimulate free market conditions.
- Yes! Condonance to the underrepresented business tax and sales tax on manufacturing supplies.
- Yes! A combined annual personal and business tax rate reduction of over \$2.7 billion by 1982.
- Yes! 20% off the top personal income tax rate on earned income.
- Yes! More than 60 separate pieces of legislation to cultivate and stimulate business.
- Yes! A lot has been done. A lot more will be done in the future. Because the Governor and the Legislature are absolutely committed to making New York State the best state in the country in which to do business.

All part of the State's commitment, a special Department of Commerce has been set up. So, for more information, call 212-948-9228. Or, for an enlightening tax comparison between New York and other states, write to: Commissioner William D. Bassett, Jr., N.Y. State Department of Commerce, 99 Washington Ave., Albany, NY 12245. When you see how New York State has voted for business, New York State will get your vote.

NEW YORK STATE
THE BEST PLACE IN THE WORLD TO DO BUSINESS.



PRIORITY 1

Fiscal Management of State Government

The top priority in 2011 will be to support efforts of Governor Andrew Cuomo to restore sound fiscal management to state government. The Governor's platform includes commitments to reduce spending, freeze the state payroll, hold the line on taxes, and to improve the efficiency and accountability of state government. Unless he is successful, New York has little hope of maintaining its status as a global business hub.

Health Care Spending: The Biggest Challenge

Health care is the largest component of the State budget and a significant expense for City government as well. This fiscal year, spending on Medicaid will exceed \$52 billion (nearly 40% of the total state budget). This is higher than any other state, and represents a per capita expenditure of \$2,360 or twice the national average (\$1,077). New York's annual Medicaid cost is projected to grow at least 22% to \$63.5 billion by 2014, with the State picking up an increasing share of costs from the federal government.

The major reasons for New York's high Medicaid costs are the generous eligibility standards and the wide range of covered services established in state law. For example, New York provides Medicaid to some households with incomes up to 400% of the federal poverty level, as compared to the new minimum federal eligibility standard at 133% of the poverty level. New York also pays for more services (dental, mental health, chiropractic, etc.) than other states. Even with the highest costs, New York performs poorly on many key health quality indicators, signaling the demand-side rationale for reform.

Fixing the health care budget will take years, especially since the federal health reform law

precludes states from trimming their Medicaid eligibility standards. There are, however, some immediate actions that the State could take to reduce Medicaid costs. Last year, former Lt. Governor Ravitch issued a report that recommends several cost reduction ideas, including transfer of authority for rate-setting from the State Legislature to the Department of Health. Governor Cuomo's Medicaid Redesign Team is an important first step in implementing such change.

The Partnership has also called for a second Berger Commission to continue efforts to restructure the state's broader health care delivery system. (The original commission, appointed by Governor Pataki and chaired by Partnership Board member Stephen Berger, was successful in showing how to reduce waste and redundancy in the system). An independent commission is required to resist the political pressure to maintain excess capacity, preserve jobs, and protect institutional interests at great expense to the state and the taxpayer.

New York State has among the highest medical malpractice premium rates in the nation and led the country in the number of medical malpractice claims filed for the decade ending in 2009. Hospitals in New York State spend over \$1 billion annually on medical malpractice expenses, representing 3% of total revenues. The Legislature has blocked past efforts to cap awards and arbitrate claims, but 2011 should be a year to press for needed reforms.

ACTION: In 2011, the Partnership will work with the Governor to identify and advocate for budget actions that result in reduced Medicaid obligations, medical malpractice reform, and an independent commission to help restructure the state health care delivery system.

Public Employee Benefits: The Long Term Problem

New York City and State have established generous pension and health care retirement programs for public employees and their families. Once granted, pension benefits are protected by the State Constitution and cannot be reduced. Reform is limited to benefits for future employees.

In New York City, the taxpayer contribution to the pension system has climbed more than 900% in the last decade – from \$703.1 million in 2000 to \$6.3 billion in 2009. The cost is expected to reach \$7.6 billion in 2011. New York's state and local governments have more than \$205 billion in

unfunded obligations for post-retirement health care coverage for current employees and retirees.

New York City does not have control over reform of its own benefit programs, which resides with the State legislature. Similarly, under the State's Taylor Law (particularly its "Triborough Amendment"), the City has little negotiating leverage in collective bargaining because employees receive cost-of-living-adjustment salary increases even if they do not have agreement on a contract.

ACTION: In 2011, the Partnership will support state and city efforts to achieve more affordable pension and health benefit terms for future public employees.



PRIORITY 2

Economic Growth & Job Creation

The Need for Tax Restraint and Relief

This year, New York was ranked worst among the fifty states in the Tax Foundation's State Business Tax Climate Index. The Index compares the states in five areas of taxation that impact business: corporate taxes; individual income taxes; sales taxes; unemployment insurance taxes; and taxes on property, including residential and commercial property. New York has the second highest combined state and local taxes in the nation and the highest local taxes in America as a percentage of personal income — 79% above the national average.

New York State's top personal income tax rate of 8.97% is higher than all but six other states. When combined with New York City personal income

taxes, the total is 12.62%, the highest in the nation. The combined state and local sales tax rate in the City is 8.45%, higher than all but four other states. When property taxes are measured as a percentage of home value, the top sixteen counties in the nation are all in New York State.

New York's tax burden is most onerous when it comes to high earners, who are frequently captured by unincorporated business taxes on top of everything else. In 2011, the top 1% of earners in New York State is projected to generate 38% of all personal income-tax receipts.

ACTION: In 2011, the Partnership will continue to seek tax relief (including a cap on property taxes) and will stand with Governor Cuomo to oppose tax increases as a way to close the budget gap.



PRIORITY 3

Intellectual Capital

School Districts Need Control of Resource Management

For two decades, the Partnership argued to revise the State formula for education spending, which historically under-funded New York City and other poor, urban school districts. That battle was ultimately won in the courts, but threatened spending cuts in 2011 are likely to fall most heavily on the City school system. Despite spending \$17,173 per student (more than any other state and 67% more than the national average), New York is not in the top ranks of performance. In terms of high school graduation rates, for example, New York State ranks 40th.

The key to reduced costs and better performance is to allow school districts far greater flexibility in managing personnel and funding. In 2010, some reform was achieved in the process of preparing the State's application for federal Race to the Top funds. But State law is still highly proscriptive when it comes to education policies, programs, facilities and labor-management relations.

ACTION: In 2011, the Partnership will work with the Bloomberg Administration and Governor Cuomo's Mandate Relief Team to advocate for changes in state law that provide flexibility and mandate relief in order to better utilize limited resources to improve the schools.

Higher Education: Let Universities Manage their Revenues

In 2009 and 2010, the State and City university systems (which together have 945,000 enrolled students in 87 institutions) petitioned the state to allow them to raise tuition and vary tuition rates by program and campus. This request was rejected by the State Legislature, which tightly controls university funding and revenues. In-state

undergraduate tuition costs for the City University of New York are currently capped at \$4,600 per year and students pay up to about \$480 in additional fees, as compared to average public university tuition and fees in the country of \$7,605. Federal funding is available to subsidize the tuition costs of low income students up to \$5,550, but New York leaves some of this money on the table because of low tuition caps.

Similarly, each year SUNY loses out on revenue that could be gained by raising tuition for out-of-state undergraduate students, who pay an average of \$8,463 less than non-resident students at comparable state universities. World-class state university systems in California, Michigan and North Carolina utilize a market-based tuition policy, which has allowed them to build better facilities and attract top professors and students. By following suit, SUNY and CUNY would be in a position to take the steps necessary to strengthen their own academic programs to compete with these universities.

ACTION: In 2011, the Partnership will support legislation that permits SUNY and CUNY to set their tuition rates and to reinvest proceeds in preparing their campuses to better serve the economic and workforce development needs of the City and State.

Immigration Reform

Washington, DC has failed to reform America's broken immigration and visa policies. The Partnership is helping Mayor Bloomberg assemble a national coalition of CEOs and Mayors to advocate for a change in national policies. The "Partnership for a New American Economy," is educating the public and members of Congress on the role of immigration reform in promoting American jobs and economic growth.



PRIORITY 4

Maintain and Improve New York's Infrastructure

MTA Financing: No Easy Solutions

The MTA is facing significant gaps in both its operating budget and its capital program. The funding measures enacted in 2009 (payroll tax, DMV fees, fare increases, taxi surcharges and toll increases) were inadequate to stabilize MTA finances. To forestall a projected \$500 million budget deficit in 2011, the MTA cut a number of services and implemented additional fare and toll increases. The capital budget, however, remains \$10 billion short of funding required for the current five-year plan. This means that the State does not have funding for the required match for federally funded projects that are in construction (notably the Second Avenue Subway and East Side Access).

The Partnership supports continued investment in maintenance, modernization and expansion of the regional transportation system, particularly expansion of bus rapid transit services. The State Legislature has rejected proposals designed to raise new revenues for the system, specifically congestion pricing and East River Bridge tolls. The Partnership will continue to advocate for these revenue options, but will not support another tax increase or further borrowing. In terms of the capital plan, private sector experts have estimated that the MTA capital construction costs could be reduced by as much as twenty percent with legislative changes in procurement and contracting requirements.

ACTION: In 2011, the Partnership will advocate for authorization of a design-build approach to MTA capital projects, which requires state legislation, and other reforms in procurement and contracting procedures that would reduce costs and delays in construction projects.

Airport Improvements

New York metropolitan airports handle approximately one-third of the nation's flights and account for three-quarters of air traffic delays across

the country. An HDR study commissioned by the Partnership found that air traffic congestion costs the New York region \$2.6 billion annually. This cost could be substantially reduced by deployment of technology that would transform the National Airspace System from a ground based radar system to a satellite-based system, at a cost to the government of about \$22 billion. The Partnership has joined with other transportation advocates and the Port Authority to strongly support this investment.

Energy

New York is making significant strides on energy conservation and beginning to diversify its supply with alternative and renewable energy sources, but upgrading and expansion of the state's conventional production and distribution system is essential to continued economic growth. The Partnership has led business involvement in statewide efforts to establish New York as a hub for the industry developing around products and services that promote energy efficiency. The Partnership supports allocation of more low cost hydropower for economic development (including the Governor's call for a permanent Power for Jobs program), the continued operation of Indian Point Nuclear Plant, and incentives for investment by regulated utilities in upgrading their facilities.

Support for Public-Private Partnerships

The Partnership supports a national Infrastructure Bank as a vehicle for both economic stimulus and necessary upgrading of public infrastructure. The Infrastructure Bank would be a vehicle for expanding private investment in public projects. At the State level, the Partnership calls for resurrecting the Commission on State Asset Maximization to jumpstart and manage public-private partnership projects across the state.

Partnership for New York City

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