

2017 Federal Priorities

DECEMBER 2016



PARTNERSHIP
for New York City

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Introduction

THE PARTNERSHIP FOR NEW YORK CITY represents the city's business leaders and largest private sector employers. Taken together, Partnership members employ over 7 million Americans and contribute nearly \$1 trillion to the U.S. economy. As undisputed leaders in a wide range of global industries, Partnership CEOs are called upon to help all levels of government develop and implement public policies that create a stronger platform for American business, enhance opportunities for all Americans and stimulate economic growth.

Shortly after the Presidential election, the Partnership surveyed CEOs to solicit their views on the top federal priorities for 2017. There was broad consensus that the most pressing issues are: infrastructure investment, corporate tax reform, cyber and homeland security, education and workforce development, and immigration policies. The following document, produced with the help of Oliver Wyman, is designed to flesh out these issues and provide Partnership members with a consistent framework for discussions with the incoming Trump administration and leaders of Congress.

Mayor de Blasio met recently with the Partnership board of directors to express his thoughts about city priorities, focusing on continued federal funding for public hospitals and the public housing authority. City taxpayers send \$117 billion to Washington, D.C. every year, while federal payments and services to New Yorkers total only \$61 billion.

Former Mayor Bloomberg worked with the Partnership to develop a wallet card containing the city's wish list that business leaders could pull out and reference during meetings with federal officials. As the new administration and Congress begin to tackle the challenges facing the country, the Partnership will provide members with updated information on local issues in order to ensure that the city continues to receive the federal support necessary to maintain essential services.

Infrastructure

Put Americans to Work Building Modern, Resilient Infrastructure

RECOMMENDED ACTIONS

↓
Launch a national rebuilding campaign, backed by federal incentives for public-private partnerships (P3s), including tax credits, repatriation of foreign corporate earnings and profits, EB5 allocations, and block grants

↓
Fast-track and streamline project approvals process, reducing regulatory barriers for locally supported projects

↓
Institute merit-based federal funding for urban transit and other public works to accommodate rapid economic expansion of the nation's metro regions

↓
Prioritize upgrading airport access, capacity and efficiency, starting with private installation and management of satellite air traffic control systems (maintaining the Federal Aviation Administration as safety regulator) and fast rail to airport connections

↓
Invest to promote the sustainability of existing and new infrastructure (e.g., hardening the coastlines)

2.2x potential multiplier

Federal payments to state and local governments for infrastructure have among the highest fiscal multiplier of any public investment.

\$3.6 trillion

Cost to bring the nation's infrastructure to a state of good repair.

\$59.2 billion

Cost to bring New York City infrastructure to a state of good repair.

Figure 1

In the New York City metro region, nearly \$60 billion is needed to bring public infrastructure assets to a state of good repair over the next five years.

Cost of State of Good Repair

City University	\$2.0 billion
Housing Authority	\$16.6 billion
MTA*	\$26.6 billion
NYC Transit	\$16.3 billion
Other MTA	\$10.4 billion
Port Authority*	\$6.8 billion
Department of Education	\$2.0 billion
Department of Transportation	\$2.9 billion
Other City Agencies	\$2.2 billion
Total	\$59.2 billion

**Includes all assets, not just those located in New York City*

An overly complex system of required reviews and permitting approvals stifles needed investment, creates inefficiencies and dramatically increases costs.

10 years / \$3.7 trillion

It often takes 10 years to approve new infrastructure projects in the U.S. with the cost of delays estimated at \$3.7 trillion.

Canada has a 2-year approval process with a reduced federal role in environmental reviews and narrowed scope of allowed public challenges.

PROTOTYPE PROJECTS

Amtrak’s Gateway Tunnel Connecting New York and New Jersey

*More than **250,000 commuters** cross the Hudson River each day using public transit.*

100% increase in rail ridership is expected by 2040.

10 years of remaining useful economic life for existing Hudson River tunnels.

\$5.9 million City employers incur \$5.9 million in losses for each hour of delay on NJ Transit operations.

Upgrade Air Traffic Control to Increase Efficiency of New York Metro Airports

52% of business travelers reported avoiding flying to meetings in New York due to local airports.

-75% of nationwide flight delays are attributable to problems in New York’s airspace.

66 minutes Average delay for domestic flights from New York airports

\$2.6 billion Annual cost of delays to the regional economy due to air traffic congestion

Tax Reform & Regulatory Relief

Accelerate Economic Growth and Balance the Federal Budget without Slashing Essential Services

RECOMMENDED ACTIONS

- ↓

Reduce corporate rates and simplify the tax code, recognizing that revenues will grow with increased economic activity
- ↓

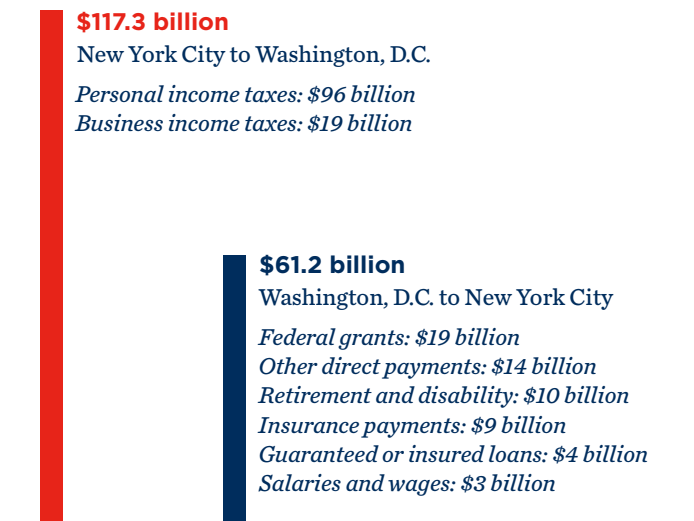
Encourage global companies to repatriate overseas income and invest in the U.S.
- ↓

Provide more incentives for research and innovation
- ↓

Maintain deductibility of state and local taxes from personal income tax obligations to reflect high costs and outsize contributions of nation's most productive urban centers
- ↓

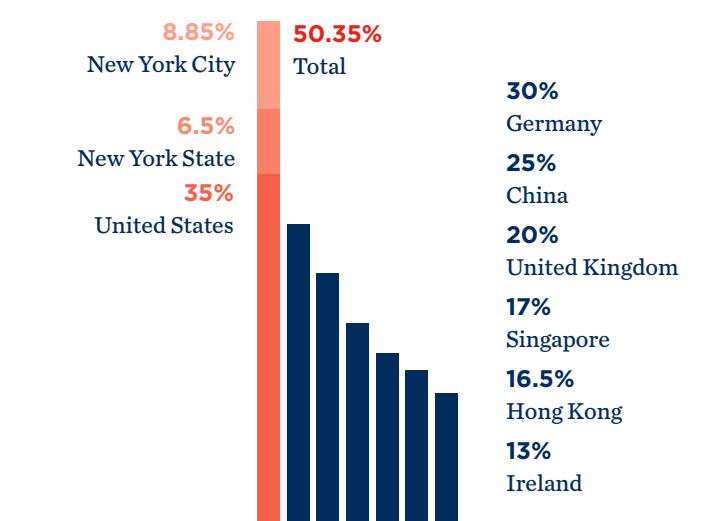
Survey employers to identify regulations that unnecessarily add to costs, discourage investment and inhibit job creation

Figure 2
New York City is a large net contributor to the federal budget (2015).



\$56.1 billion balance of payments deficit

Figure 3
U.S. corporate taxes are the highest in the developed world (2016).



Does not account for the deductibility of state and local taxes in the United States. Reflects highest tax brackets.

U.S. tax policy for research and development is still relatively basic compared to our competitors.



United States

Research & Development (R&D) tax credit equal to either 14 percent or 20 percent of total qualified research expenses depending on the calculation method applied



Canada

Scientific Research and Experimental Development tax deductions, investment tax credits for capital and R&D costs



China

Super deduction (150 percent) of R&D expense, rate reductions for “high and new technology,” Value Added Tax (VAT) exemptions



France

R&D tax credit, innovation grants, accelerated depreciation for fixed assets used in R&D, patent box and innovation tax credits for small- and medium-sized enterprises (SMEs)



Singapore

Productivity and Innovation Credit Scheme (250 percent/300 percent deductions on S\$400,000 expenses per year for R&D activity)

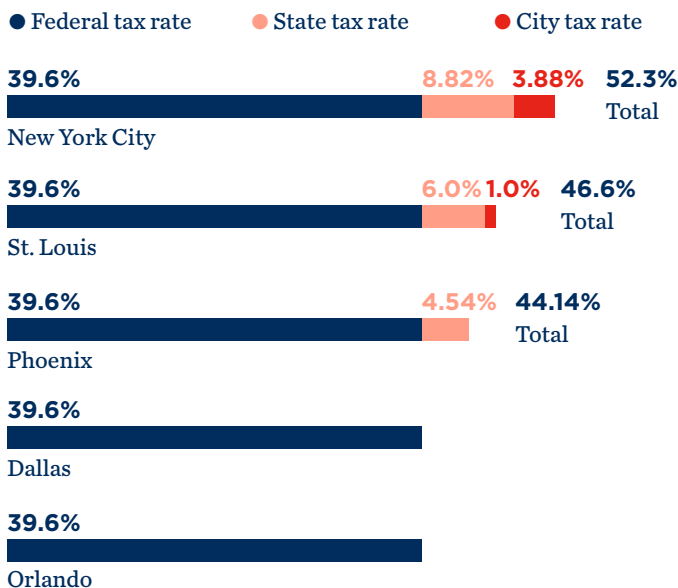


United Kingdom

Patent box, R&D tax credits (super deductions for SMEs) and investor tax relief in early-stage businesses

Figure 4

New York City has higher personal income tax rates than other major U.S. cities (2016).



Does not account for the deductibility of state and local taxes in the United States. Reflects highest tax brackets.

Figure 5

Nearly \$2.3 trillion in untaxed profits are parked overseas.

Industry	2015 Earnings Parked Overseas
Information technology	\$710 billion
Health care	\$461 billion
Consumer goods and services	\$363 billion
Industrial manufacturing	\$362 billion
Financial services	\$211 billion
Energy	\$165 billion
Utilities	\$9 billion
Telecommunications	\$2 billion
Total	\$2.3 trillion

Cyber & Homeland Security

Increase Business-Government Collaboration to Protect the Nation

RECOMMENDED ACTIONS



Expand partnership between business and government to report and manage cyber and homeland security threats and reduce systemic risk



Increase government support to limit liability in the event of a cyberattack and create incentives that encourage transparency, cross-industry knowledge sharing and the adoption of best practices



Provide federal technology, tools and best practices to businesses (e.g., encryption) to ensure high protection of U.S. assets against cyber threats



Train a national cybersecurity workforce through public-private partnerships (e.g., apprenticeship models, government placements, training of veterans)

More than 500 million

Personal records stolen or lost in 2015

~430 million

New unique pieces of malware identified in 2015, a 36 percent increase over 2014

~\$400 billion

Estimated annual cost* of cyberattacks to businesses globally

**Cost of damage itself and subsequent disruption to normal course of business*

Competition for cyber talent is increasing, leading to a major skills shortage.

~1.5 million

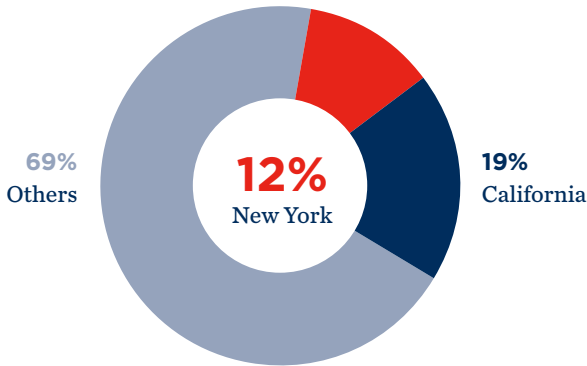
Expected global shortfall in cybersecurity professionals by 2019 due to demand reaching 6 million

~300,000

Unfilled cybersecurity jobs in the U.S. by 2018

Figure 6

As a global financial, media and services center, New York City is a target for cyberattacks.



Share of U.S. events by state to date.

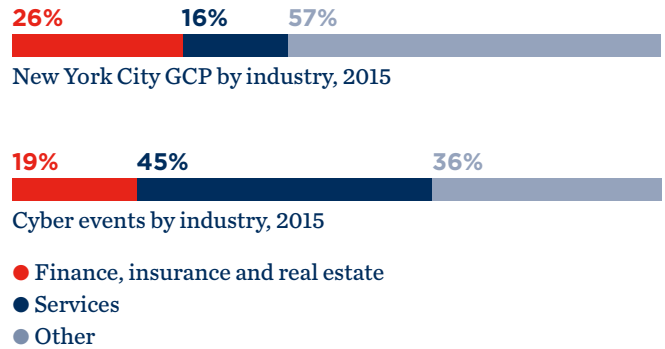
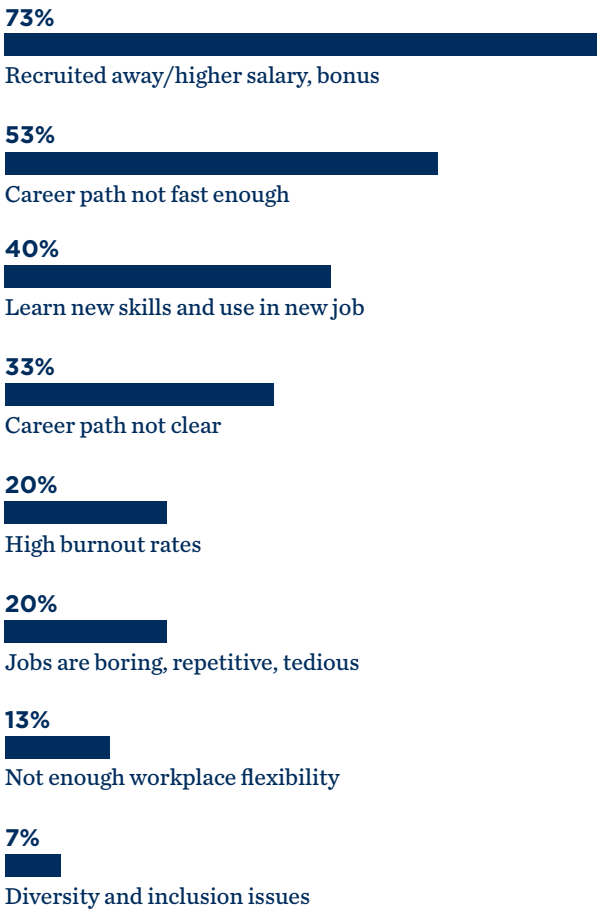


Figure 7

There are a number of reasons the cyber industry struggles to recruit talent.



Based on a 2016 global survey.

Figure 8

New York City suffered the highest number of terrorist incidents of any U.S. city (2002–present).

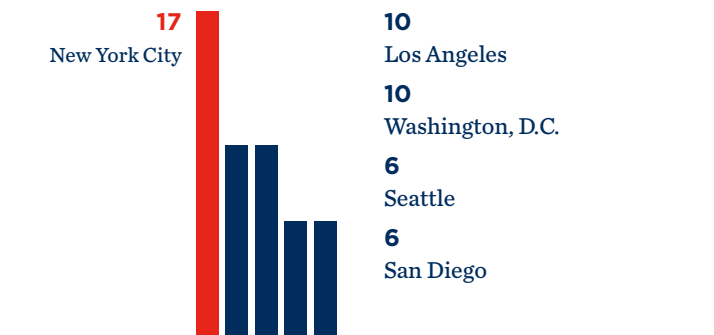
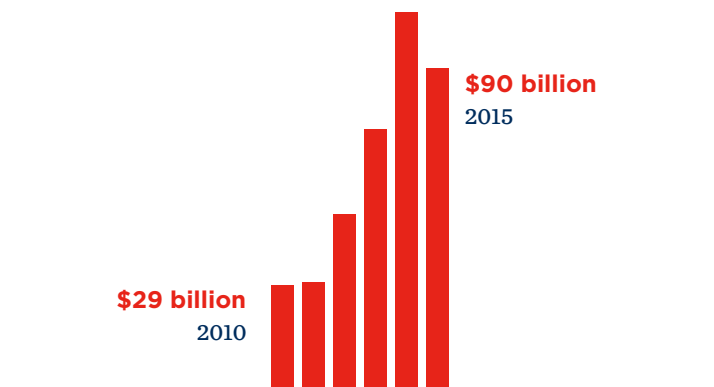


Figure 9

The global economic cost of terrorism is significant.



Economic cost includes direct and indirect costs from the loss of life, destruction of property and losses from ransom payments.

Education & Workforce Development

Ensure All Americans Have the Opportunity to Succeed at Work

RECOMMENDED ACTIONS

↓
Establish incentives for industry-sponsored credentialing, skills development, work experience and job placement, including a national internship program for high school and college students

↓
Provide flexibility in federal funding to accommodate local variables and rapid pace of change in job requirements

↓
Make preparation for employment (hard and soft skills) an integral aspect of K-12 education

↓
Intensify funding for education in STEM subjects, including professional development of teachers

↓
Increase alignment of funding for higher education and workforce development to employer partnerships and preparation for available jobs

Figure 10

Fifty-three million jobs will be added to the U.S. economy from 2016 to 2026.

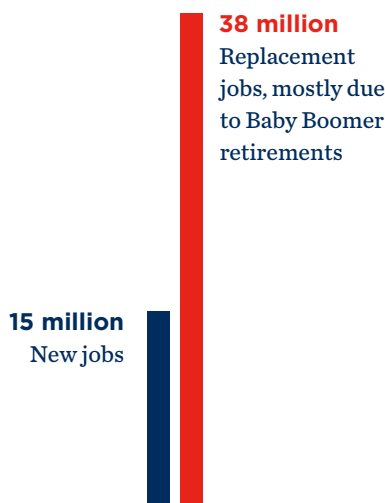
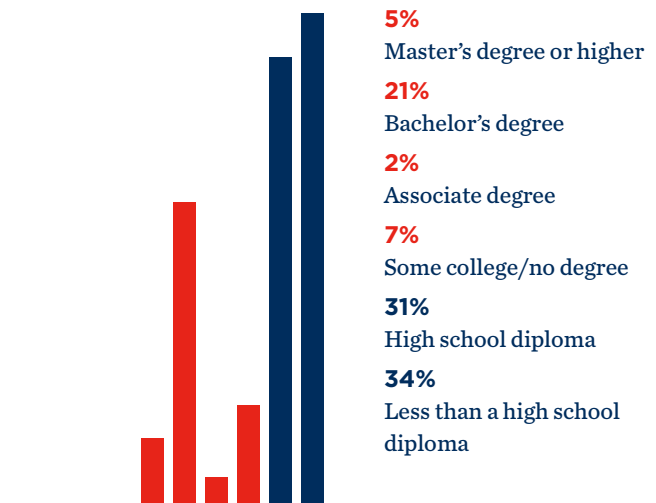


Figure 11

Approximately 35 percent of new jobs added to the economy will require post-secondary education from 2016 to 2026.



Between 2011 and 2015 the number of jobs requiring at least an associate degree grew by 10 percent, with a further 10 percent growth expected through 2020.

~4.1 million

New York City labor force
(2016)

68%

Labor participation rate
(2016)

245,000

Unemployed New Yorkers
(2016)

165,000

Underemployed New Yorkers
(2016)

37%

Thirty-seven percent
of New York City public
high school graduates are
college or career ready.

2%

Less than 2 percent
of New York City career
and technical education
students get paid internships.

0.1%

The U.S. only spends
0.1 percent of its GDP
on retraining workers,
one-sixth the average
of other wealthy countries.

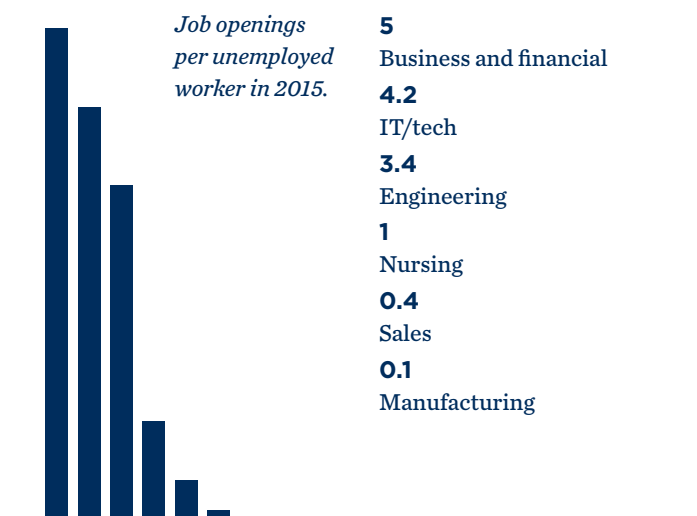
CURRENT CHALLENGES

Federal workforce funds
are largely available only for
training youth who are not in
school.

State law bars industry
professionals from teaching
K-12 classes.

Figure 12

Many New York City industries face a skills gap.



Business services and information technology accounted for the highest number.

Figure 13

U.S. employers find middle skill jobs difficult to fill.



FEDERAL PRIORITY #5

Immigration

Attract Global Talent to Meet Labor Market Needs

RECOMMENDED ACTIONS

↓
National and regional economic development objectives should drive immigration policy

↓
Reform the H-1B lottery system to allow U.S. companies to hire skilled workers based on labor market demands, not fixed and arbitrary quotas

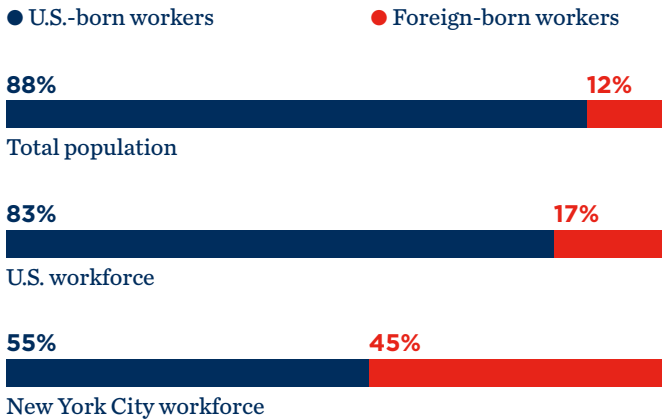
↓
Provide fast-tracked and longer term work visas for students educated in U.S. universities for STEM and other jobs where high skilled individuals are in short supply, including a merit-based route to permanent residency

↓
Establish a more aggressive program to encourage foreign entrepreneurs to build companies in the U.S.

↓
Provide a clear path to citizenship for immigrants at all skill levels (including undocumented workers and their families when there is no criminal record)

Figure 14

Immigrants represent 45 percent of the workforce and 48 percent of the small business owners in New York City (2015).



More than 50%

Percentage of New York City's "low-skill" workforce that is foreign-born

24%

Immigrants are responsible for almost a quarter of U.S. patent applications.

\$12 billion

Undocumented workers estimated annual contribution to state and local taxes (2016)

Current policies slow economic growth and disadvantage U.S. companies.

236,000

H-1B visa applications made this year, with cap allowing only 85,000 to be granted, making it hard to recruit and retain skilled workers.

~70%

Approximately 70 percent of applicants lose out in the H-1B lottery process, regardless of labor market needs.

1.1 million

The U.S. has 1.1 million international students with no direct path to employment visa or green card.

CURRENT CHALLENGES

Permanent residence is seldom available to temporary workers or students.

U.S. entrepreneur visas (E-2 visas) require a significant amount of cash and offer no permanent residency benefits for new business startups.

Many cities have self-declared independent sanctuary policies—meaning they do not turn over law-abiding undocumented immigrants to the federal authorities.

Figure 15

Sample of sanctuary cities in the United States.



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Figure 11: Partnership for New York City analysis of data from EMSI

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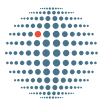
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