



**Brooklyn Chamber
of Commerce**

Brooklyn Agenda for Growth 2007

**The Legislative Agenda
of the
Brooklyn Chamber of Commerce
2007**

Annual Albany Lobbying Trip
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Presented by:

The Government Affairs Committee of the Brooklyn Chamber of Commerce
Dan Holt, Courier-Life Publications, Chairman, Board of Directors
Brad Korn, Continuum Health Partners, Co-chair, Government Affairs Committee
Eric Huebscher, Co-chair, Government Affairs Committee
Mark M. Kessler, Interim President/ Chief Operating Officer
Leticia Theodore-Greene, Vice President, Communications and Government Affairs

LEGISLATORS' EXECUTIVE SUMMARY

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- Restoration of Prior Approval Authority – Restore
- Liability Insurance – Support Reform

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2006 Brooklyn Chamber of Commerce Member Issues Survey Summary

The Brooklyn Chamber of Commerce, under the direction of the Government Affairs Committee, co-chaired by Brad Korn and Eric Huebscher, conducted its annual survey of Members. The survey is used to identify and prioritize the organization's legislative agenda, *Brooklyn's Agenda for Growth*, which lays out policy positions to help make the borough an even greater place to work and live. Each year the *Agenda for Growth* is updated through research, surveys and committee work, to reflect Chamber Member's views on important local issues. The items included in the summary below are an indicator of what is on the minds of Brooklyn's business owners on a daily basis.

In December 2006 a four-page survey was issued to 1,400 Brooklyn Chamber Members. The overall response rate was 16.5% (232 responses). The five part survey looked at: The Brooklyn Economy, New York City Issues and Projects, Education and Workforce Development, Quality of Life and Obstacles to Growth.

As in previous Chamber surveys, Members were asked to rank the top obstacles to business growth in the borough. For the fourth year in a row, the top two issues were costs related to providing health insurance and the cost of general liability insurance. Following are the top four issues and the percentage of businesses that ranked the issues as a "problem" or "severe problem":

1. Increased Cost of Health Insurance
62% – Maintains the position it has held since 2004 as the number one obstacle
2. Cost of Liability Insurance
58% – Maintains last year's rank as the number two obstacle
3. Fuel or Energy Costs
54% – Maintains last year's rank as number three
4. Finding/Hiring Qualified, Trained, Reliable Workers
50% – This issues has remained one of the top issues for Chamber Members
4. Traffic Transportation Problems
50% – This item moved up one spot from number five last year

Brooklyn Chamber Members also expressed support for various projects and initiatives under development in the borough and around the city:

- 74% of respondents support zoning changes and public investment to revitalize Coney Island and promote commercial and residential growth
- 74% of Members continue to support the creation of a rail link between Manhattan and JFK
- 68% of Members expressed their support for the expansion of Industrial Business Zones to retain, support and protect the manufacturing community

1. INSURANCE

Health Insurance for Small Businesses and Low-Income Workers – Preserve & Expand

Small businesses throughout New York State say the rising cost of health insurance is one of biggest threats to their growth and survival. Since 2004, over 60% of Brooklyn Chamber of Commerce Members cited the lack of affordable health insurance as the single biggest obstacle to their growth and survival. These costs make staff recruitment difficult, inhibit growth and decrease worker retention. Further, the possibility of catastrophic health care costs threatens the survival of businesses; and, poor healthcare reduces productivity, which drives prices up making employers less competitive.

There are over 78,000 uninsured small businesses in NYC alone. Statewide, there are 2.3 million working uninsured and dependents; more than 50% are low-income workers. Forty-two percent of the working uninsured is employed by businesses with less than 50 employees.

The Brooklyn Chamber believes Healthy New York (HNY), which now insures almost 120,000 people, offers currently uninsured small businesses the most affordable alternative available. We also believe, under the stewardship of the New York State Insurance Department (NYSID), HNY is an extremely flexible vehicle, which affords communities the opportunity to tailor products to meet the needs of their uninsured businesses. Therefore, we believe HNY should be preserved and/or expanded until such time as a tangible, less expensive alternative is available.

Based on our experience with Brooklyn HealthWorks, the Brooklyn Chamber's private label HNY product localized to meet the needs of small businesses in Brooklyn, we recommend the following modifications to HNY's small group products (2-50 employees):

- HNY income eligibility criteria be adjusted regionally based on differences in wages and/or the cost of living.
- Eliminate the 50% mandatory employer premium contribution. Brooklyn HealthWorks has no such mandatory contribution; yet on a voluntary basis 92% of all Brooklyn HealthWorks employers pay 100% of the premium while none pay less than the state mandated 50%. Under the mandate, statewide only 54% of the small group employers pay 100% of the premium.
- Offer a HNY Rider to eliminate the three large HNY co-pays (\$500 per continuous hospital confinement, 20% up to \$200 for inpatient surgical procedures including maternity delivery). These three copays often mean insured low wage workers who are entitled to hospital, surgical and maternity benefits cannot afford to use them. The Brooklyn HealthWorks Max rider that eliminates these three copays costs less than \$12.50/month/person.

The Brooklyn Chamber opposes any expansion of the HNY benefit schedule that will, in any way, increase monthly premiums.

The Brooklyn Chamber supports proposals to allow Prepaid Health Service Plans (PHSPs) to offer HMO or EPO based Healthy NY products to adults who do not qualify for Medicaid or Family Health Plus.

Prior Approval Authority – Restore

Every year, small businesses, along with the rest of us, are racked with double digit increases in their health insurance premiums. Under current “file and use” regulations, neither they nor the New York State Insurance Department (NYSDOI) can question the basis for these increases.

The Brooklyn Chamber supports the reinstatement of NYSID’s authority to regulate health insurance premiums by reviewing proposed premium increases prior to their implementation. These regulatory checks and balances would help to keep premiums at a manageable level for employers and the insured. We also believe NYSID should be required to obtain from insurance carriers requests for rate increases and the related experience data in a standardized format; NYSID’s should be required to make this data available to the public.

Liability Insurance – Reform Sections 240 & 241 of the Labor Law

Over the last several years, contractors and subcontractors across New York State have found themselves in the midst of a general liability insurance crisis. New York State Labor Law sections 240 and 241 states contractors can be found totally liable for employee injuries that result from falls. New York is the only state in the country with such a law and it has led to insurance premiums increasing by 300 – 600% in the state since 2000. For contractors and subcontractors specializing in certain trades, (e.g. roofing, scaffolding, steel erection) liability insurance may not be available at any cost.

The Brooklyn Chamber of Commerce supports reform of labor law sections 240 and 241.

2. HEALTH CARE

Proposed Healthcare Cuts – Oppose

The cuts proposed by in New York State’s FY 2007 – 2008 Budget will have a significant negative impact on Brooklyn. Healthcare is the largest industry in the borough and employs more people than any other sector.

- The proposal includes a nearly \$500 million dollar cut in hospital funding in the FY 2007 – 2008 budget, which will result in a \$51 million dollar loss to Brooklyn hospitals and nursing homes. These cuts, which are *not* needed to balance the budget, will impact *all* hospital patients.
- NYC has the greatest concentration of teaching hospitals and academic medical centers in the state. The proposed budget cuts \$49 million from Brooklyn’s teaching hospitals. One specific cut to graduate medical education will drain \$29 million from Brooklyn’s teaching hospitals making the borough the hardest hit region in the state. These cuts will damage Brooklyn’s *best* hospitals.
- At this time, the impact of the Berger Commission recommendations on Brooklyn hospitals is unknown. This Commission recommended the closing and/or consolidation of four Brooklyn hospitals. It would be wise to assess the impact of these recommendations before even considering cutting an additional \$51 million from Brooklyn’s hospital system.

The Brooklyn Chamber urges our legislators to oppose these cuts and ensure patient care in Brooklyn’s hospitals is not undermined.

Conversions

When they adhere to their mission, not-for-profit insurance carriers provide low cost health coverage to populations less attractive to for-profit carriers. Every time a not-for-profit carrier converts to for-profit status, they drive a percentage of their members to the safety net system, forcing taxpayers to pay for their healthcare. When converting, these carriers are required to provide large sums of money to “conversion funds” intended to provide health care and health insurance to those forced off their insurance rolls and others like them.

The Brooklyn Chamber of Commerce believes conversion funds should be dedicated to providing health care and health insurance to the unserved, underserved and uninsured. Further, hospitals and similar providers should also be supported with the help of this funding.

3. ECONOMIC DEVELOPMENT

Empire Zones – Expand, Support

Empire Zones are an important economic development tool to attract businesses to disadvantaged communities. Brooklyn has three Empire Zones and hundreds of companies are certified in these zones, creating thousands of jobs and millions of dollars of fixed asset investments. In a recent study commissioned by the New York State Economic Development Council, Empire Zones were considered the second best attraction tool for New York State; second only to our well-trained workforce.

- The current Empire Zone legislation limits the Wage Tax Credit to five years—businesses in a Zone can receive up to \$3,000 a year for five years for each new employee. Having taken this credit for five years, a company considering a major expansion in Brooklyn would not be eligible for this benefit and might seek a location in another state where the cost of doing business is lower.

We recommend the Wage Tax Credit be extended for an additional five years for companies that have reached certain defined goals during the first five years. This credit should be refundable – and not rolled over – if certain defined goals are met.

- Over the last several years, the Empire Zone program has been expanded statewide, increasing to over 80 zones. Unfortunately, administrative funding has not increased to match this growth resulting in less administrative funding with every program expansion. Administrative funding is the compensation organizations receive for marketing the program, assisting local businesses with the application process, ensuring quality applications are approved and conducting follow up work to ensure compliance with program regulations. While funds for each zone have decreased, administrative requirements have grown dramatically. Zone administrators must conduct more analysis and prepare more paperwork than ever before.

The Brooklyn recommends funding be increased to a level that allows all zones to adequately staff and administer the program.

- The Empire Zone Program application form and process is difficult and complicated, often requiring the services of an accountant or attorney. Eighty-five percent of Brooklyn's businesses are small, with less than 20 employees. The current application process is burdensome and a barrier to small business participation.

The Brooklyn Chamber of recommends the Legislature require Empire State Development to simplify the application process and form to make it small business friendly.

- The Empire Zone Investment Tax and the Employment Incentives Credit (ITC-EIC) are for construction and leasehold improvements to manufacturing or distribution facilities. They are currently not available to Empire Zone lessees.

The Brooklyn Chamber recommends lessees certified in Empire Zones be eligible for these credits.

Empire State Film Production Credit – Make Permanent

New York State was the original home of the feature film industry. In recent years a substantial amount of production had been lost to Toronto as well as other out-of-state and foreign locations. Since its creation in August 2004, the Empire State Film Production Credit has played a pivotal role in reestablishing New York State, and particularly the Brooklyn Navy Yard, the home of the recently completed Steiner Studios, as the premier venue for the production of feature films and television series in the country.

The Brooklyn Chamber believes in order to retain the production it has already attracted and to stimulate further growth of the Brooklyn Navy Yard as pre-eminent film production center, it is essential that the Empire State Film Production Credit be made permanent.

4. TAXES

Business Tax Increases - Oppose

A recent study indicates business taxes in New York are higher than those in most competing states. The proposed FY 2007–2008 Executive Budget will make New York State significantly less competitive. The proposals put forth as ways to “close loopholes” in fact amount to nearly \$600 million in increased taxes on New York State’s businesses. These taxes impact businesses of all sizes that employ about half of the State’s working population. Excessive taxation on businesses including banks and real estate trusts, health insurance policies and the elimination of tax deductions for production costs is regressive and will severely hurt if not obliterate mechanisms in place that encourage economic activity and growth. The Brooklyn Chamber supports the recommendations of the Business Council of New York State, Inc. as follows:

- Combined reporting: Authorization for the tax department to require combined reporting for related companies or subsidiaries (\$215 Million). Under current law, taxpayers can show that intercompany transactions are priced at ‘arms length,’ and file separate returns. Under the budget proposal the Department of Taxation and Finance could require combined reporting even then. But – not if it means a lower tax bill. Among the 50 states, 32 do not require combined reporting; among the 17 that do only four are east of the Mississippi. Only one, Vermont, has adopted the provision in the past century.
- Qualified production costs: Uncouple New York from the federal American Jobs Creation Act of 2004 (\$35 million). The provision creates a three to nine percent deduction for qualified production costs of manufacturing, food processing, software development, filmmaking, electricity/gas production and construction. Some 31 states retain this incentive – or have no corporate income tax at all.
- Bank tax increases: These taxes would hurt the very banks that have helped to make New York City the financial capitol of the world. The following are changes from the original 1985 law and are not ‘loophole closers.’ They eliminate favorable tax treatment for wages; tax expenses related to subsidiary capital; change rules for writing off bad debts; and, move subsidiaries from 9-A status to Bank Tax.
- Tax Real Estate Investment trusts – another major cost increase for banks and investors both in New York City and Upstate (\$104 million).
- Increase healthcare ‘assessments’ – which would drive up the cost of health insurance for employers and individuals (\$75 million)

The Brooklyn Chamber of Commerce agrees with the Business Council of New York State, Inc. This budget as proposed will slow the economic growth of the state. These items should be eliminated from the budget.

S-Corporation Taxation – Support Reduction

An S-Corporation is a corporation, limited liability company, or other eligible entity that meets the United States Internal Revenue Service's requirements to be taxed under Subchapter S of Chapter 1 of the Internal Revenue Code. The most important of these requirements include a limit to the number of shareholders (no more than 100) and residency (all shareholders must be domestic residents). Many of New York City's small businesses are structured as S-Corporations. There are 118,000 S-Corporations in New York City alone. These firms span all sectors of New York City's economy – from law to finance to retail to healthcare – and are important employers and engines for growth in the city's economy.

To help these small businesses grow and thrive, the federal government has long offered an important tax break: an exemption from the federal Corporate Income Tax. All profits are passed on to the owners, who pay personal income taxes on their earnings. Currently, 39 states recognize S-Corporations, partially or fully exempting them from their state Corporate Income Taxes. New York State has largely exempted these businesses from the Corporate Franchise Tax. However, S-Corporations are currently required to pay corporate income tax to New York State in addition to the personal income taxes paid by shareholders, effectively taxing the same earnings twice.

The Brooklyn Chamber supports a tax credit for S-Corporation shareholders who currently receive no local tax relief. The credit could be based on a sliding scale that ranges from a 65% credit of General Corporation Tax liability for city resident taxpayers with State taxable income of \$42,000 or less, to a 15% credit of such liability for taxpayers with taxable income of \$142,000 or more. The credit will reduce the personal income tax of New Yorkers who are shareholders in S-Corporations by \$45 million in its first full year.

5. WORKFORCE DEVELOPMENT

Incumbent Worker Training – Support Funding

In 2006, \$15 million was available statewide for incumbent worker training. Nearly \$200,000 of that funding was awarded to Brooklyn-based businesses. These dollars go directly to train low-wage workers within targeted growth industries, who could not otherwise afford professional development, and to businesses that need these training dollars in order to keep their workforce competitive. In December 2006, these funds disappeared.

The Brooklyn Chamber supports the restoration of funding for incumbent worker training programs to 2005-2006 levels.

The Chambers of Commerce On-the-Job Training (OJT) Program – Support Funding

This program, funded by the New York State Department of Labor, allows nine Chambers of Commerce throughout New York State to reimburse local businesses for costs related to recruiting and training new and incumbent workers. It also provides participating businesses with direct access to support services. In 2006, OJT was in the first of a three-year renewable contract. The Brooklyn Chamber, along with eight other Chambers of Commerce that received the grant, were notified in October that while State funding for this program was available in the FY 2006 – 2007 budget, it had not been specifically earmarked to fund the OJT Program, and as a result program contracts would not be renewed. The total of the funds granted directly to the Brooklyn Chamber of Commerce was \$109,756. More than 50% of the funds provided direct reimbursement of training wages to Brooklyn businesses.

In Brooklyn, the program has provided jobs and training to more than 60 new and incumbent workers. These workers come from hard to serve populations including:

- New hires transitioning from welfare to work
- Ex-offenders re-entering the workforce
- Displaced workers
- Incumbent workers with limited skills and little opportunities for advancement

Through business supported OJT, employees were able to increase their opportunities and marketability by receiving training that ranged from computer literacy (QuickBooks, Microsoft Project) to manual skills (driving, maintenance, repair and woodworking). Participating companies have been reimbursed more than \$50,000 since January 2006 to support the cost of training and employee development.

The Chamber encourages legislators to earmark the available funds specifically for the OJT program.

Adult Literacy and ESOL – Support Increased Funding

Funding for both adult literacy and ESOL programs in New York City is inadequate to meet the need. Funding is restricted for program use and does not allow for non-traditional programming in areas that need it the most. Immigrant employees with better English language skills are more productive and can command higher wages.

The Brooklyn Chamber supports additional funding literacy and ESOL training in New York City and increased programmatic flexibility to meet local need.

6. ENERGY

Article X – Enact

Brooklyn businesses and residents depend on an affordable and reliable supply of electricity and New York State needs significantly more electric generating capacity. However, with the expiration of Article X of the Public Service law on January 1, 2003 and the deregulation of the electric power marketplace, New York is failing to site and build enough generation to keep pace with growing demand. Stop gap measures like peak load reduction programs are inadequate.

The Brooklyn Chamber supports a renewed effort to ensure the borough and the state build enough generation to support growing electrical needs. We support the enactment of legislation that will encourage the siting of generating facilities to meet the needs of the borough and state.

Alternative and Renewable Sources of Energy/Fuel – Support

Preservation of natural resources has taken on a new urgency. As such, sustainability and the use of renewable and alternative forms of energy have gained popularity. Some 81% of Brooklyn Chamber Members surveyed said they “support” or “strongly support” the use of alternative forms of energy even if it requires a modest cost increase. One year ago the Brooklyn Chamber began using wind energy. There are a number of alternative energy sources and technologies that promote conservation, preservation and sustainability; they include the use of wind farms, fuel cells and hydroelectric sources for electricity, ethanol and bio-diesel as fuel for vehicles, solar panels for building heating and lighting.

The Brooklyn Chamber supports programs and incentives for businesses that use or produce renewable or alternative forms of energy including tax credits.

7. EDUCATION

Capital Construction: CUNY, SUNY, EOC & Independent Schools

Too many New York City and State's institutions of higher education are in deplorable physical condition. Poor plumbing and cracked walls for example are not conducive to study and learning. Yet these institutions remain the most affordable access to higher education for thousands of students. As enrollment continues to increase construction and repair of physical infrastructure becomes critical in order to preserve the quality of educational outcomes. The proposed 21st Century Higher Education Capital Matching Grants Program will provide competitive three to one matching grants to support investments in economic development and high technology capital facilities, including wet lab space, critical academic facilities, and urban renewal and historic preservation projects

The Brooklyn Chamber of Commerce supports a multi-billion-dollar capital plan to create state-of-the-art academic facilities at city and state colleges, universities and Educational Opportunity Centers, including the 21st Century Higher Education Capital Matching Grants Program.