



**Brooklyn Chamber
of Commerce**

Brooklyn Agenda for Growth 2008

The Legislative Agenda of the Brooklyn Chamber of Commerce 2008

Annual Albany Lobbying Trip
March 10 – 11, 2008

Presented by:

The Government Affairs Committee of the Brooklyn Chamber of Commerce

Dan Holt, Courier-Life Publications, Chairman, Board of Directors

Carl Hum, President and CEO, Brooklyn Chamber of Commerce

Brad Korn, Continuum Health Partners, Co-chair, Government Affairs Committee

Eric Huebscher, The / Doctor Co-chair, Government Affairs Committee

Carolyn Desalu, Director, Communications, Brooklyn Chamber of Commerce

LEGISLATIVE EXECUTIVE SUMMARY

1. ENERGY

- **Article X Legislation – Support**
 - Ensure adequate supply of reliable energy
- **Alternative and Renewable Sources of Energy – Support**
 - Develop alternative energy sources including wind, solar and biomass energy
- **Develop Effective Energy Efficiency Programs – Support**
 - Join in the support of Governor Spitzer’s “15 by 15” program

2. HEALTHCARE

- **Hospital Reimbursement Methodology – More Information Needed**
 - Request information in order to carefully review the impact on the hospital system
- **Medical Malpractice Reform – Support**
 - Support Healthcare task force efforts to control expense
- **Maintain the Affordability of Health Insurance Premiums – Support**
 - Support efforts to control health insurance premiums working with employer groups

3. INSURANCE

- **Liability Insurance, Sections 240/241 of the Labor Law – Reform Requested**
 - Request restructuring of this law to make insurance affordable to contractors
- **Expand Access to Health Insurance for Small Businesses and Low-Income Workers – Support**
 - Continue expansion of affordable health insurance for small businesses

4. WORKFORCE/HIGHER EDUCATION

- **On-the-Job Training – Support**
 - Continue funding in order to support effective training programs
- **Workforce Development and Incumbent Worker Training – Support**
 - Request additional funding to develop worker training programs
- **Higher Education as an Economic Engine – Support**
 - Continue support for CUNY/SUNY capital improvement programs
- **Higher Education Capital Matching Program – Support**
 - Approve and release funds from State capital construction

5. ECONOMIC DEVELOPMENT

- **Empire Zones – Support**
 - Continue support for existing and development of new designated Empire Zones

6. TAXES

- **Structure Reform – Support**
 - Consider reforms that will encourage businesses and individuals to remain in New York
- **S-Corporation – Support**
 - Eliminate the potential for double taxation

2007 BROOKLYN CHAMBER OF COMMERCE MEMBER ISSUES SURVEY SUMMARY

In December 2007, the Chamber issued a survey to 1,250 Members. The overall response rate was **21%** (257 responses). The six-part survey looked at: The Brooklyn Economy, New York City Issues and Projects, Education and Workforce Development, Healthcare, Quality of Life and Obstacles to Growth as well as other issues important to constituent businesses. The following list ranks the top obstacles to growth based on Member responses:

RANKED AS THE
THIRD OBSTACLE
LAST YEAR

1. **FUEL OR ENERGY COSTS**

55% – Moving to the number one spot from last year’s number three, this item reflects that fuel or energy costs inhibit sustainability and business growth, becoming an economic weakness for our Members. *Ever increasing energy prices will continue to drive up the cost of doing business for small delivery services to mass transportation to the airline industry.*

CONSISTENT
KEY ISSUE

2. **INCREASED COST OF HEALTH INSURANCE**

52% – Consistently a top issue for Chamber Members, this year health insurance ranked second by three percentage points from its former first place position last year.

TIED WITH FIFTY
PERCENTAGE POINT:

3. **COST OF LIABILITY INSURANCE**

50% – Though tied for the third place slot and down one spot from last year, this item continues to be a top issue, maintaining the position of a key obstacle to business expansion within the borough.

3.

TRAFFIC/TRANSPORTATION

50% – Giving further credence to citywide congestion issues, this item tied for third place on the list of severe issues related to growth and development. Last year, Traffic/Transportation issues received the same percentage points but ranked one slot lower at number four.

RANKED #8
LAST YEAR

4. **RISING COST OF REAL ESTATE**

48% – This item is a major burden to Brooklyn-based businesses.

As in previous Brooklyn Chamber surveys, Members were asked to rank the top obstacles to business growth in the borough. **This year, fuel or energy costs topped the list at number one, reflecting the economic strain this issue has on small business growth.** Affordable health insurance and the cost of general liability insurance are also recurring issues, which are sited on the top three issues list based on Member surveys for the last four years.

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

- 76% of Members support Brooklyn’s working waterfront
- 71% of Members continue to support the creation of a rail link between JFK and Manhattan, providing that two stops in downtown Brooklyn will be included
- 64% of Members support the Cross Harbor Rail Freight Tunnel – building a tunnel under New York Harbor from New Jersey to Sunset Park, Brooklyn, would allow rail transportation of freight

1. ENERGY

ARTICLE X LEGISLATION – SUPPORT

For the last few years, the available supply of electricity to the Downstate region during the summer peak has not provided adequate safety margins to ensure that there are no service interruptions. While there are a number of factors that have contributed to this problem, one clear issue is that little, if any, generating capacity has been added to keep pace with the ever-increasing demand. On January 1, 2003, Article X of the Public Service Law expired. Article X provided a way to coordinate the efforts of a variety of state agencies, which would provide a complete, timely and balanced review of applications to construct new generating capacity. The Legislature and the Governor need to address this problem and reenact Article X.

The Chamber supports the reenactment of Article X to ensure that adequate electric capacity is available to meet the needs of Brooklyn businesses and residential customers.

ALTERNATIVE AND RENEWABLE SOURCES OF ENERGY – SUPPORT

For too long, the energy policy of this State and Nation has depended primarily on the endless availability of fossil fuels such as natural gas and oil. As the world market continues to increase the price for these fuels, we have failed to develop sufficient alternatives that are renewable and/or from more secure regions of the globe. Wind, solar and energy from biomass offer realistic alternatives to traditional power generation. Several promising alternative fuel sources are being developed to meet transportation needs. It is unlikely that any of these alternatives will meet a significant portion of the State's energy requirements in the near term, but with proper incentives, each can help meet a portion of our needs and provide a more balanced energy portfolio. When it comes to encouraging the increased use of alternative energy sources, the proper role of government is to provide incentives, letting the marketplace determine which alternatives will be most helpful in meeting future needs. The government has a poor track record in those instances where they have tried to pick in advance winners and losers among competing alternative fuels.

The Chamber supports the enactment of legislation that will provide proper incentives to businesses that use or produce renewable and/or alternative forms of energy.

DEVELOP EFFECTIVE ENERGY EFFICIENCY PROGRAMS – SUPPORT

Governor Spitzer launched an aggressive energy efficiency program, “15 by 15”, which aims to reduce the State’s electric usage by 15% by the year 2015. By any standard, such a reduction would be a dramatic and welcomed accomplishment. It will take the full cooperation of many state agencies, utilities, energy service providers and end-use customers to succeed. The Public Service Commission has undertaken a far-reaching proceeding designed to accomplish the energy reduction goals. While we support the State’s goals in designing such a program, the State must ensure that any resulting program include energy education components as well as programs that are easy to implement. Since the State will be utilizing large amounts of taxpayer and utility customer money to implement the energy reductions, the program must ensure that it achieves its goals in the most efficient and cost effective manner possible. We also recommend that the goals of any energy efficiency program be broadened to include reductions in natural gas usage.

The Chamber supports development and implementation of aggressive programs to reduce energy uses, but requests that such efforts be coupled with incentive programs.

2. HEALTHCARE

HOSPITAL REIMBURSEMENT METHODOLOGY – MORE INFORMATION NEEDED

The New York hospital community is appreciative and grateful that the Executive branch has engaged a variety of health care organizations in thoughtful and productive reform discussions over the past several months. The provider community fully supports proposals that include:

- Expansion of health insurance for uninsured children
- Better management of the chronically ill
- Greater investments in ambulatory care services
- Calling on HMOs and pharmaceutical companies to share the responsibility of a budget deficit

The hospital community has serious concerns about proposed reforms for which the resulting impacts are unknown. Therefore, we believe legislators should oppose these proposals until the financial impacts are made available to the legislators and the affected constituency. These proposals include:

- Changing the charity care distribution formula
- Reforming the graduate medical education payment system

Recognizing the State has a budget deficit to close, hospitals are willing to accept some reductions in revenue, if accompanied by relief measures that reduce hospital costs. The one relief measure that would be of great help is the **reform of the medical malpractice insurance system**. We urge legislators to work with the Executive, through the Governor's Medical Liability Insurance Task Force whose mission is to bring together often opposing sides in this contentious debate, and produce real solutions for this real problem.

The Chamber strongly requests that comprehensive information be supplied to the hospital system in order to carefully evaluate any proposed programmatic changes to reimbursement methodology.

MEDICAL MALPRACTICE INSURANCE REFORM – SUPPORT

There is a medical malpractice insurance crisis in New York and most other parts of the country. The cost of insurance has skyrocketed in recent years making insurance unaffordable for physicians and forcing them to either retire early, move out of the State or create self-insured risk groups. Raising the cost of medical malpractice insurance results in higher healthcare costs. Studies have shown that there is little or no correlation between the ever increasing malpractice premiums and a corresponding increase in physician negligence.

Recently, the Superintendent for the New York State Department of Insurance recommended a \$50,000 surcharge on each physician in the State to deal with the depleting pool of funds to pay plaintiffs' lawsuits. This surcharge would follow a 14% increase in overall premiums during 2007. This level of fiscal punitive punishment would undoubtedly impinge on a physician's willingness to work in New York.

The Chamber strongly supports the work of the Governor's Healthcare Reform task force and requests rejection of any statewide assessment on physicians.

MAINTAIN THE AFFORDABILITY OF HEALTH INSURANCE PREMIUMS – SUPPORT

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 (NYSID) 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. In addition to this regulatory change aimed at keeping health insurance premiums affordable for small businesses, the Brooklyn Chamber opposes the following new taxes on health insurance premiums that will be passed onto small businesses:

- The proposal to increase the covered lives assessment by \$190 million, from \$850 million to \$1.04 billion annually.
- The proposal to add a new HMO tax amounting to 1.75% of premiums for certain insurance carriers.

Additionally, we oppose the addition of new health insurance mandates that in any way will increase monthly premiums for group plans, including Healthy NY.

We do, however, support the Governor's efforts to cost-effectively manage care for persons with chronic conditions and the efforts to reform the medical malpractice insurance system.

The Chamber supports regulatory checks and balances that would help to keep premiums at a manageable level for employers and the insured.

3. INSURANCE

LIABILITY INSURANCE – REFORM SECTIONS 240 & 241 OF THE LABOR LAW – REFORM REQUESTED

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 state that 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. Since 2000, this law has led to insurance premiums increasing by 300% to 600% in the state. For contractors and subcontractors specializing in trades such as roofing, scaffolding or steel erection, liability insurance may not be available at any cost.

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

EXPAND ACCESS TO HEALTH INSURANCE FOR SMALL BUSINESSES AND LOW-INCOME WORKERS – SUPPORT

Since 2004, Chamber Members have consistently cited the lack of affordable health insurance as one of the most important obstacles to their business growth. These costs make staff recruitment difficult and decrease worker retention. Furthermore, poor healthcare reduces worker productivity, driving prices up and making employers less competitive. Statewide, there are 2.2 million working uninsured and dependents; more than 50% are low-income workers.

Under the stewardship of the New York State Insurance Department (NYSID), Healthy NY (HNY) is an extremely flexible vehicle, which currently insures over 150,000 people. HNY offers uninsured small businesses the most affordable alternative available and provides a way to tailor products based on business needs.

Brooklyn HealthWorks, the Chamber's private label HNY product localized to meet the needs of small businesses in Brooklyn, requires adequate funding to meet future program demands. The Chamber recommends the following modifications to HNY's small group products (2-50 employees):

- HNY income eligibility criteria should 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 approximately 85% of all Brooklyn HealthWorks employers pay 100% of the premium. None pay less than the state mandated 50%. Under the mandate, statewide only 49% of small group employers pay 100% of the premium.
- Support proposals that allow Prepaid Health Service Plans (PHSPs) to offer HMO or EPO based HNY products to adults who do not qualify for Medicaid or Family Health Plus.

The Chamber believes Healthy NY should be preserved and/or expanded as a tangible, less expensive alternative available to small businesses.

Universal Coverage Proposals

Attempts to expand health insurance access should not adversely affect the competitiveness of existing businesses or impact the ability of the State to foster new economic investment and growth. To maximize expansion efforts while minimizing the cost of doing business and the cost of living for the State's workforce, we recommend:

- Expanding the Child Health Plus program to 400% of the Federal Poverty Level (FPL). By expanding access to the Child Health Plus program, working adults will have access to an affordable option for their children.
- Creating more flexibility in plan design and covered benefits for small group products by giving small businesses more health benefit choices. These choices can range from standardized plans that include all State mandated benefits to those with more basic coverage. This will make it easier for more businesses to afford coverage that is appropriate for their workers.
- Opposing employer mandates related to expanding access to health insurance. In addition to unresolved legal issues pertaining to employer mandates, requiring businesses to provide health insurance coverage impacts the ability of the City and State to foster a business-friendly environment.

The Chamber supports the Governor's efforts to provide insurance to all New Yorkers without compromising the competitiveness of local businesses.

4. WORKFORCE/HIGHER EDUCATION

THE CHAMBER OF COMMERCE ON-THE-JOB TRAINING (COC OJT) PROGRAM

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 total funds granted directly to the Brooklyn Chamber of Commerce were \$109,756. More than 50% of those funds provided direct reimbursement of training wages back to Brooklyn businesses. The program was refunded in late 2007 with only \$100,000 provided to each Chamber. Businesses will now receive 80% or \$80,000 in wage reimbursement for this round of training.

In Brooklyn alone, 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 increase funding available for the On-the-Job Training program.

WORKFORCE DEVELOPMENT AND INCUMBENT WORKER TRAINING

The current workforce is engaged in mid-level and technical jobs that require additional credentials and at least two years of education or training past high school. Positions in healthcare, hospitality management, dental hygienists, radiation therapists, machinists, law enforcement agents, and construction trades are just some of the occupations that require continuing education credentials, a two-year degree or a Bachelor's degree.

Since 2005, the Brooklyn Chamber of Commerce has helped more than a dozen businesses access over \$400,000 in available city and state funding by providing technical assistance with training plans and applications for incumbent worker training grants. Incumbent workers greatly contribute to the economic engine of this borough and many can benefit from supportive, employer-based training, which includes on-the-job training, distance learning, and other company supported training initiatives.

The Chamber recommends supporting statewide incumbent worker training programs such as ADVANCE NY, and expanding the use of workforce development discretionary funding to help businesses hire and train their workers.

HIGHER EDUCATION AS AN ECONOMIC ENGINE – SUPPORT

Education has a tremendous effect on an individual's earning ability. Statistics cited in the Governor's 2008 Executive Budget noted that workers' earnings range from \$25,039 a year for a person who has less than a high school education; \$31,539 for a high school graduate; \$50,944 for a person holding a bachelor's degree; \$61,273 for a Master's Degree; and over \$100,000 for professionals. According to the National Science Foundation, for every \$1 million of academic research and development expenditures, 29 jobs are created. If New York State maintained its share of research and development dollars, an additional 27,600 jobs would have been generated in the State's economy.

The New York State Commission on Higher Education recommends a solution to this crisis – investment in CUNY and SUNY through the New York State Compact for Public Higher Education. The Compact would require that the State of New York commit funds to cover 100% of the systems' mandatory costs and 20% of funds needed to invest in growing these institutions. Other sources of funding include philanthropy, restructuring/efficiencies, enrollment growth and a predictable tuition policy, which consists of modest tuition increases. Funding to support a total of 2,000 full-time faculty members for SUNY and CUNY is recommended.

We recommend supporting the Compact for Public Higher Education as well as supporting the CUNY and SUNY request for capital funding.

5. ECONOMIC DEVELOPMENT

EMPIRE ZONES – SUPPORT

Empire Zone tax credits are the State's most important incentive program to attract, retain and expand business in New York. Efforts have been made over the last several years to tighten up the eligibility requirements by requiring Empire Zone applicants to complete a cost benefits analysis prior to receiving a certificate of eligibility. We strongly support the Empire Zone program and offer the following suggestions to make it an even better tool to attract businesses to grow in our State.

- The current Empire Zone legislation limits the Wage Tax Credit to five years – meaning businesses in a Zone can receive up to \$3,000 a year for five years for each new employee. After receiving this credit for five years, a company that is considering a major expansion would not be eligible for this credit and may seek a location in another state where the cost of doing business is much less than in New York.

The Chamber recommends that the Wage Tax Credit be extended for an additional five years for companies making a major new capital investment in their Zone.

- The greatest growth in job creation in New York comes from the small business sector. There are many challenges faced by new small businesses or those that are on the cusp of a growth spurt. The incentives provided by the Empire Zone program should be tailored to encourage start-up companies to make capital investments and hire additional employees. Recently, the Empire State Development Corporation raised the cost benefit ratio to 20:1, thereby making it more difficult for small businesses to participate in the program.

The Chamber recommends that cost benefit ratio should be lowered again to 15:1 to encourage small businesses to grow in our State.

- While the number of Empire Zones around the State has grown over the last several years, the amount of administrative funding budgeted by the New York Assembly has not grown. As a result the “pie” must be divided among many more Zones, which translates into a smaller allocation for each Zone. Considering that the amount of work required by each Empire Zone Coordinator has increased dramatically as a result of the cost benefit analysis work that has to be completed for each applicant, there is more paperwork than ever before.

The Chamber supports Assemblyman Schimminger's proposed legislation [A9131] that would appropriate funds for services and expenses in relation to the administration of Empire Zones that would equal \$100,000 for each of the 85 zones.

6. TAXES

REDUCTION AND ELIMINATION – SUPPORT

The taxes in New York State are one of the highest per capita rates in the nation for residents and businesses. New York State businesses, particularly upstate, are hemorrhaging and relocation to other states to find more “tax-friendly” jurisdictions is paramount. A similar case can be made for individuals, especially retirees in their prime spending years who opt to use their retirement dollars in more “tax-friendly” jurisdictions.

As a solution for businesses, we suggest New York State:

- Reduce the Unincorporated Business Tax (UBT) by 10% to encourage new and fledging businesses to remain in New York State
- Reduce the Gross Receipts Tax (GRT) on all utility bills for both individuals and businesses by 10%. With the GRT making up more than 15% of each customers’ utility bill and our state utility bills (some considered the highest in the nation), the GRT is just another significant tax that drives prospective businesses and individuals out of New York State. In fact, with lower-income taxpayers in this State, this is an extremely regressive tax and hurts them the most.
- Like the GRT, the New York State Corporate Income Tax encourages businesses to flee and discourages businesses from entering the State. This Corporate Income Tax needs to be reduced by 0.5% this fiscal year and, an additional 0.5% next fiscal year.

For individuals:

- The New York State Personal Income Tax is one of the highest in our nation. Like the New York State Corporate Income Tax, it encourages our State’s most productive individuals to actively seek other jurisdictions to reside in. The State Personal Income Tax needs to be reduced by 0.5% this fiscal year and an additional 0.5% next fiscal year, to reduce this outflow of our State’s tax base.
- The New York State Mortgage Recording Tax, now at 2%, reduces the number of first-time buyers that can afford to buy their first home in New York State. By having the Mortgage Recording Tax so high, New York State drives out many first-time buyers who are in the process of becoming the State’s next generation of productive taxpayers. Once they have left, it is not likely they will return. The solution is to keep the Mortgage Recording Tax at 2% and no higher, for all new mortgage recordings, except for first-time buyers.
- For first-time buyers of residential properties purchased under \$600,000 (indexed for inflation), the Mortgage Recording Tax should be reduced to zero.
- Interest and Dividends should be exempt from all New York State income tax to taxpayers with Adjusted Gross Income (AGI) under \$50,000 (\$100,000 joint return) and indexed for inflation to help our working class constituents in New York State. This is the only way we are going to get individuals to start saving and create new capital for long-term investment in New York State.

The Chamber supports New York State’s efforts to regain its competitive edge to attract our nation’s best and brightest entrepreneurs. Consider offering strategic tax breaks to achieve the desired results of business expansion and economic growth.

S-CORPORATION TAXATION – SUPPORT

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 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.