

Step 1: Cut Cost of Business

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First published: *Albany Times Union* - 3.23.10

Gov. David Paterson recently spoke of reigniting our economy and rebuilding New York's manufacturing industry. Recent Bureau of Labor Statistics figures highlight this pressing need. Between 2008 and 2009, upstate manufacturing jobs declined by 8 percent. Since 2000, we have suffered a 24 percent decline.

The governor proposed revitalizing abandoned manufacturing sites and aggressively marketing them nationally and internationally. For these plans to succeed, the state must attack the problem that caused other manufacturers to leave: The cost of doing business in New York is too high.

New York was ranked as having the second-highest cost of doing business in the nation in the Milken Institute's 2007 Cost of Doing Business Index. CNBC's 2008 Cost of Doing Business Survey ranked New York as having the highest. These excessive costs, driven by policy decisions, ever increasing taxes and fees and the failure to control spending, make New York unattractive to business.

The adverse impact of state policy decisions on energy prices is revealing. For example, New York's electricity prices are, on average, the second highest in the contiguous United States, according to the Energy Information Administration. New Yorkers pay 65 percent more than the national average for electricity. Energy costs comprise one of the highest costs for commercial and industrial companies, and New York's energy prices dissuade many businesses, large and small, from locating or expanding here.

State policies contribute greatly to the noncompetitive price of electricity. Public policy programs and state budget surcharges add more than \$1 billion to New Yorkers' electric bills, and there are plans to spend more. Market forces and utility spending also are likely to place additional upward pressure on prices.

To immediately reduce energy prices, the state should repeal last year's Temporary State Assessment that resulted in a six-fold increase to the regular Public Service Law Section 18-a assessment. The TSA is simply another tax hidden in the utility bills of all New Yorkers. For large customers, this hidden assessment came out of the blue and added hundreds of thousands of dollars to energy bills. Repealing the assessment would send a clear signal to businesses that New York is serious about reducing costs.

Next, the state should impose a moratorium on energy surcharges, levies and assessments, while honoring commitments to existing, cost-effective initiatives designed to stimulate infrastructure investments. The myriad public policy programs funded through electric bills, including the Energy Efficiency Portfolio Standard, Renewable

Portfolio Standard and System Benefits Charge, are important. But their costs must be balanced with their impact on the state's competitiveness and financial health. These programs and the TSA increase customer bills from 9 to 16 percent, and are significant contributors to the disparity between energy prices in New York and other states. A cost-benefit analysis of each program would be useful. New York should be a leader in many things, but not in imposing energy charges on its residents and businesses.

Finally, New York must maintain robust economic development power programs to retain and promote expansion of existing businesses and attract new businesses. The state's existing approach -- with multiple programs that include differing limitations and separate terms and requirements -- should be transformed into a more comprehensive, integrated program that honors commitments to existing recipients of competitively priced power, provides and expands long-term benefits and promotes the state's dual goals of retaining existing businesses and attracting new, green and high-tech companies. Doing so will most effectively and immediately foster economic development and job growth across New York.

The sooner we take steps to ensure that there is a more balanced approach to state policies that affect energy prices, the sooner we can rebuild upstate's manufacturing base and the overall economy.