

## **Press Release**

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### **Florida Deal Needs A Little Sunshine**

## **State Fiscal Watchdogs and Labor Unions Rally in Florida to Urge Local Officials to Demand Beech-Nut Hire Local Construction Firms, make Real PILOT payments, and Not Leave Canajoharie In Economic Ruins**

(Florida, NY). New Yorkers for Fiscal Fairness (NYFF) and the Fiscal Policy Institute (FPI) joined with local unions and residents to demand greater accountability from Beech-Nut and the Montgomery County IDA (MCIDA). The groups held a rally outside the Town of Florida Town Hall tonight and urged them to “put the brakes on the project” until some of the problems with the Beech-Nut deal can be worked out.

NYFF Executive Director Ron Deutsch urged the MCIDA and Beech-Nut (Hero Corporation) to work with local unions and contractors to make sure that the tax subsidies received by Beech-Nut go to local companies. “Using local tax dollars to subsidize job creation is quite common in NYS. What we are troubled by is the fact that Beech-Nut is hiring an out-of-state firm to handle some of the construction work. Our local tax dollars should be spent on hiring local companies,” stated Deutsch.

The Payment in Lieu of Taxes (PILOT) agreement between the MCIDA and Beech-Nut is also unusually favorable to the company. Under this PILOT agreement, as structured, 100% of the agreed upon PILOT (\$2.5 million per year) will go back to Beech-Nut for the first 13 years of the project as long as Beech-Nut meets its annual job creation and retention targets during that period. Frank Mauro of the Fiscal Policy Institute stated that, “This means that for 13 years there will be no payment in lieu of taxes at all to the county, town and school district, as long as the company meets its job targets. This sets a very bad precedent, allowing one particular employer to not contribute at all to the cost of county, town and school district services.”

Randall Hogue, resident and former Mayor of Canajoharie, was also very concerned about the impact the 20 mile move would have on his community. “The Beech-Nut move will prove to be devastating to the Village of Canajoharie. MCIDA, as sponsor of this project has spent \$340,000 on the SDEIS in the town of Florida and ZERO Dollars on the loss to Canajoharie. I believe this is in direct violation of the Federal and State anti-pirating statutes.”

Hogue also stated, “We want the MCIDA with Beech-Nut or New York State to commit to an adaptive re-use and marketing study for the existing 25 acre facility as well as enter into an agreement to secure funding for the remaining payments on the water and sewer bonds (spent about \$3.4 million on a project specifically to accommodate Beech-Nut). I would also ask that MCIDA finally go on the record about the intentions of Hero/Beech-Nut with regard to the existing buildings and the taxation of same for the duration of the PILOT with the Montgomery County.”

Deutsch thought this was another example of why State Lawmakers need to finally pass IDA Reform measures. The groups have been working with NY Jobs With Justice on a statewide campaign to reform IDAs in NYS. They have an 8 point plan to reform the program as seen below. The groups also called for further reforms to Empire Zones programs also highlighted below.

### **The Beech-Nut Numbers:**

Beech-Nut is owned by HERO (Swiss Company)

2006: revenue in excess of \$1.7 billion – 4,000 employees in 30 countries

Beech-Nut will:

- retain 356 jobs in Montgomery County
- create 135 New Jobs in Montgomery County

Equates to \$212,321 per job (total – new and retained)

Equates to \$772,222 per new job created

- \$42 million in Empire Zone benefits.
- \$38.5 million in tax incentives from Montgomery County Industrial Development Agency.
- \$18 million in funds for construction, machinery and equipment from the Empire State Development Corporation.
- \$3 million from a State Assembly appropriation grant.
- \$2 million grant from the New York State Energy and Research Development Authority.
- \$750,000 grant from the Department of Housing and Community Renewal’s Office for Small Cities

Total: **\$104.25 million.**

- \$3.85 million that was given to Beech-Nut to help repair damage after the flood of 2006.

# Reform Industrial Development Agencies

## 8 Simple Reforms to Increase Transparency, Accountability, and Oversight

- 1. Ensuring Broader Oversight and Coordination** by enforcing new and more stringent guidelines on board membership. We must ensure that the boards blend business, organized labor, educational, and environmental representatives to ensure the local community to have a say in development. IDAs within the same geographic area (e.g. county, village and city IDAs) must coordinate and approve of any plans which are within their borders.
- 2. Community Impact Reports (CIRs)** can be an essential tool for assessing the potential positive and negative impacts a proposed project will have for the local community. The CIR will be an independently conducted study looking into the quality of the jobs created or retained, the effect on housing in the area, the effect on other businesses, the effect on open space and the effect on local infrastructure, such as transportation, schools and water and sewers. Approval should be conditional on the completion of a satisfactory CIR and on an agreement within the contract to address recommendations made in the CIR.
- 3. A set of Basic Standards** for businesses applying for IDA assistance should be enhanced. Mandating basic employment, community, civil rights and environmental benefits standards on subsidy deals will ensure that subsidy recipients create quality jobs, meet community needs, and have a positive environmental impact in our neighborhoods. Such standards would include paying a living or prevailing wage, hiring locally when possible, protecting greenfields and community benefits standards. We should further ensure that IDA benefits are not given to firms that violate state laws including those dealing with environmental quality, worker safety, and fraud similar to that governing the Empire Zones.
- 4. Improving Reporting Requirements** on subsidy contracts by implementing statewide reporting standards. This would assist local agencies make future subsidy choices by requiring data to be reported on job creation and retention, Payments in Lieu of Taxes (PILOTs) and information on all government assistance provided to a project (not just assistance provided by the IDA).
- 5. Requiring Enforceable Clawback Penalties** for IDA recipients who fail to meet the agreed-to contractual obligations. Clawbacks are a type of penalty through which a city or county cancels, reduces, or recovers a subsidy when the recipient fails to deliver on its contract obligations. With stronger reporting requirements, the locality will have the abilities to determine if the business is in breach of contract.
- 6. Increasing the Effectiveness of IDA Public Hearings** which currently come at the end of the IDA review process after all of the negotiations between the business and the IDA have already occurred and right before the approval vote is to happen. Often the board members do not show up at the public hearings. The public must be given earlier

notice of applications that have been filed with the IDA and some idea as to when those projects are likely to come up for a vote and board member who do not show should not be allowed to cast a vote. A possible model for this is the scoping session requirement under the State Environmental Quality Review Act.

**7. Ensuring that IDAs are run transparently** by requiring each IDA to present records of their standard operations, hearings on deviations and copies of approved deviations are sent at least annually to the state, the chief executives and all board members of affected local governments and that these policies and any changes be made available to the public and posted on the IDA's website. Each IDA should also maintain and make readily available all records of the schedule of PILOT payments, late payments, debts and the allocable taxing jurisdiction. The IDAs should make certain the payments are transmitted to the treasuries of these local governments.

**8. Establishing meaningful penalties for IDAs that violate Article 18-A's anti-piracy provisions.** We must ensure that corporate piracy such as that conducted by the Town of Amherst IDA against the City of Buffalo does not go unpunished. Instead of holding the corporation solely accountable and forcing them to pay back Amherst, a penalty should be assessed on the IDA such as suspension from making deals for a meaningful period of time (six months) and escalate per violation. The return payment should not be made to the locality in violation, but rather to the wronged party. These reforms would hopefully deter violations of article 18-A.

## **Empire Zone Reforms**

### **Reform the Zones: Making Empire Zones More Accountable**

1. Implementing full, annual disclosure of the benefits received and the jobs provided by each participating business (The Syracuse Post-Standard recently won a law suit allowing for the release of some of this data). This information should further be posted on the internet to allow for greater transparency.
2. Strengthening rather than weakening the program's focus on the state's neediest areas by prohibiting zone designations in areas other than census tracts that meet economic hardship criteria and immediately adjoining census tracts in the same community. Similarly, the extension of existing zones boundaries into areas other than census tracts meeting economic hardship criteria should be eliminated.
3. Requiring the Commissioners of Labor and Economic Development to hold well-advertised and timely public hearings on all proposed business certifications, all contested de-certifications and all proposed boundary amendments. (Note: Hearings on boundary amendments are currently required but the Commissioner of Economic Development views this requirement as being met by the hearings held by local legislative bodies on the local laws making those boundary amendments. Public hearings are not currently required on business certifications and decertifications.)
4. Requiring that all of the tax breaks and other benefits available to participating firms be based on the number and quality of the jobs actually created. (NOTE:

Some but not all of the program's benefits are currently tied to the number of jobs actually created.)

5. Strengthening the program's job quality standards and the application of these standards to all zone benefits. (NOTE: Under current law employers are eligible for an enhanced wage credit [\$3,000 as opposed to the ordinary \$1,500 wage credit] for a targeted employee who is paid an hourly wage of at least 135% of the minimum wage for more than half of the period involved.)
6. Limiting the total amount of all tax benefits available "per employee," in any given year, to the lower of (a) \$10,000 or (b) 20% of the total of the wages paid to the employee involved and the health insurance premiums paid on behalf of such employee.
7. Apply de-certifications for cause to all periods beginning with the earliest documented date of the infraction on which the de-certification is based and require that any benefits received during such period by a decertified firm should be subject to mandatory repayment.

**Enforce the 2005 Reforms:**

- Ending the current annual boundary amendment process (the "we bring the zone to you" approach) that has opened the operation of many of the state's zones to favoritism and corruption. (NOTE: Currently a bill introduced by Senator George Winner would allow local Zone certification officers to unilaterally make boundary amendments in a way that could undermine this reform.)
- Halting the benefits going to businesses that used re-incorporation and other ruses to get into the program. The 2005 law added a requirement that such firms document that re-incorporations and similar changes were undertaken for a valid business purpose and not just to qualify for empire zone benefits. The NYS Department of Taxation and Finance should enforce this 2005 change in a consistent manner and in the spirit in which it was enacted.
- Tightening the program's certification requirements to ensure that firms that violate (or have, in recent years, violated) labor, health and safety, environmental or other important statutory safeguards are not certified to receive zone benefits; or, if they are already certified, that they lose such certification
- Ensure that the program promotes revitalization of the State's existing cities, towns and villages, efficient use of municipal services and avoids the environmental problems associated with unplanned sprawl development, by limiting zone designations and boundary revisions to areas that are served by public sewer or water infrastructure, previously developed areas, or brownfields (this reform did not seem to be applied to the recent AMD deal where they located the Zone in the middle of a forest not served by municipal services. In fact, this project will require the county to develop a water line to the site in order to provide AMD with over 2 million gallons of water per day).