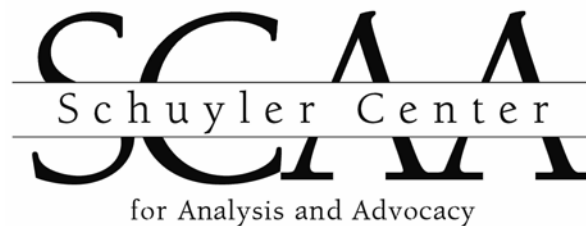


**Testimony before the Joint Fiscal Committees  
on the SFY 2009-10 *Executive Budget*  
Workforce Issues Hearing  
February 4, 2009**

**Presented by  
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*Shaping New York State public policy  
for people in need since 1872*

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My name is Tom Hilliard. I am Senior Policy Associate at the Schuyler Center for Analysis and Advocacy (SCAA). SCAA has provided a strong advocacy voice for our state's most vulnerable citizens for over 136 years.

Today's budget hearing is the last, and I certainly would not blame you for being grateful to see these budget hearings end. I would like to speak to the question of funding the faculty and other staff who serve in our institutions of public higher education from the perspective of New York's economic competitiveness.

My starting point today is Governor Eliot Spitzer's Commission on Higher Education. I realize that higher education is not the subject of today's hearing, but bear with me.

The Commission originated in conversations between Governor-elect Spitzer's staff and upstate leaders. They complained that, despite a variety of tax breaks and economic development schemes, much of upstate New York was still flat on its back. The colleges and universities of the SUNY system represented their most promising and undernourished resource. But years of systemic underfunding and over-regulation had left these institutions far behind their counterparts in other states. The Commission's preliminary report noted: "We are falling behind because our public institutions of higher education have too little revenue, too little investment and too much regulation."

The Commission's report has not resulted in any changes in state policy. Funding for higher education has actually dropped substantially since the preliminary report was released in December 2007. Yet the Commission's fundamental argument fits into the findings of modern economic development experts.

Fifty years ago, physical capital mattered most: availability of coal and oil, the capacity to build large assembly-line factories, and so on. But the industrial economy has given way to the information age. Today, human capital matters more. Our state's most effective economic development strategy is to build human capital. The point here is not to dismiss traditional economic development strategies – bidding for large manufacturers, holding down business taxation, and so on. These strategies still matter. Realistically, however, the Empire State will never be as cheap a place to do business as Vietnam, China or Mississippi.

Other states have adjusted to the global innovation economy far more adeptly than New York State. Consider the examples being set by Pennsylvania, Virginia, North Carolina, Washington State, Oregon and Minnesota. Every one of these states has made the development of a skilled workforce a top priority, and that means treating higher education as the keystone of their

economic development strategies. None of that is happening in New York. We are not integrating higher education into the state's workforce strategy, because we don't have one.

Instead of reducing spending on our public higher education system, New York should follow the recommendations of the Commission on Higher Education: protect higher education this year and expand it as resources permit in the outyears.

## I. FUNDING THAT SHOULD BE RESTORED

***Restore proposed budget cuts to community colleges.*** Community colleges serve many students who are currently in the workforce. "As our changing economy demands a more skilled workforce," declared President Barack Obama recently, "America's community colleges must be at the forefront of our approach to higher education and economic competitiveness." Yet the Administration proposes slashing operating aid to community colleges by 10% in the current fiscal year, and then continuing that 10% cut into the next fiscal year.

**Table 1: Proposed Budget Cuts to CUNY and SUNY Community Colleges, in Millions of Dollars**

<b>Proposal</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>
CUNY Reduction	\$4	\$17	\$21
SUNY Reduction	\$11	\$46	\$57
Total	\$15	\$63	\$78

***Restore proposed budget cuts to TAP.*** The administration proposes to cut the Tuition Assistance Program (TAP) by up to 20% for over 100,000 low-income working college students. Some students will lose as much as \$1,000 annually in TAP grants. The administration also proposes eliminating TAP eligibility for all students who study part-time for one or more semesters, which would essentially eliminate TAP as a resource for working students.

## II. FUNDING THAT SHOULD BE REDUCED

**In the international struggle for competitive advantage, cutting spending on the development of a skilled workforce is the equivalent of unilateral disarmament.** Meanwhile, the *Executive Budget* continues to spend vast amounts of money on programs less essential to the state's economic prosperity.

We propose that the state reduce spending substantially on the Empire Zone program and other conventional economic development programs and redirect the savings to strengthen our skilled workforce.

Our state's most effective economic development strategy is to build human capital, not to bribe companies to move here with tax breaks. Taxes do matter. But realistically, the Empire State will never be as cheap a place to do business as Vietnam, China or the Mexican maquiladora zone. To compete, New York must help employers to add value, and developing a skilled workforce is

the most effective way to add value. That's why other states are investing so heavily in building their skilled workforce, and knocking down the siloes that hold them back.

***Abolish the Empire Zone program.*** Spending on Empire Zones has ballooned from \$30 million in 2000 to \$582 million in 2008. Yet the Empire Zone program is notoriously ineffective. "On balance, the Empire Zone program has been a failure, and in some ways a gross failure," stated Patrick Foye, until recently the downstate chairman of the Empire State Development Corporation.

Governor Paterson has proposed structural changes in the Empire Zone programs that would have the effect of reducing projected spending from \$610 million to \$338 million in FY 2009-10. But the program itself is poorly conceived, and tweaking it again will not energize the upstate economy. We appreciate that taxes on business in New York State are too high, and when revenues recover the state should cut taxes across the board. But what New York needs right now – the upstate region most of all – is a high-performance public higher education system.

***Defer establishment of the GAINS Fund and R&D tax credits.*** These programs may well prove effective. But protecting the state's existing assets should be our top priority. Spending \$100 million on new programs while drastically slashing financial aid and community college funding would be a very unwise choice.

***Review all spending on economic development projects.*** Policy makers should demand outcome data on all economic development programs. Is it successful? How is success defined? How long should a program have to show evidence of success before it can be eliminated in favor of programs with proven effectiveness? 2009 could be an excellent year to clean out the economic development closet.

Ultimately, the cornerstone of New York's economic prosperity will be a trained workforce. As President Obama has noted: "Eighty percent of America's fastest-growing jobs require at least a 2-year degree." We should be prepared to cut less vital economic development programs to protect New York's workforce investments.