

The Gathering Storm: Challenges Confronting the Future of New York

Executive Summary

New York State is facing one of the greatest challenges in our history. After decades of over-spending, over-taxing, over-regulating and over-mandating, New York State is beginning to bare the burden of past decision-making and procrastination that have led to the economic decline of our great state.

There are warning signs everywhere of the gathering storm we are about to confront. The state's population trends indicate that we are losing young families and have an aging population, an increasing percentage of who are senior citizens on fixed incomes. The state exceeds all of the national percentages of people living in poverty. At the same time, we are losing private sector jobs and business investments are on the decline.

These challenges demonstrate clearly that New York State must fundamentally change the way it does business if the State is to prosper once more.

The Changing People of New York

Since the year 2000, almost 1.5 million people have left New York State for other parts of the country that offer greater economic opportunities. Although these population losses have been mitigated in part by an influx of new immigrants, 32 Upstate New York counties still lost population in the past 7 years at a rate that ranks the state 43rd in the nation in percentage growth rate.

Slow natural population growth (the number of births compared to the number of deaths), particularly in Upstate New York, is due in part to the aging population in the Upstate region and the exodus of people of child-rearing age. New York's population under age 18 ranks 40th in the nation compared to other states. All but 13 New York Counties exceed the national percentage of people age 65 years and over. The states median age is a year older than the rest of the nation.

Poverty in New York

New York State exceeds the national percentages of people living in poverty in all categories according to information released by the American Community Survey of the Census Bureau under its 1-Year Estimates (counties over 65,000 people) and 3-Year Estimates (counties over 20,000 people)

A total of 35 of the 60 New York counties included in the poverty estimates in these two surveys exceed the national percentage for population living in poverty for at least one category.

The People of New York's Future

Three research organizations' projections of New York's future population growth arrive at slightly different conclusions, but each of them conclude that vast portions of New York are destined to lose population, political representation and influence. We also stand to lose significant amounts of state and federal funding from sources that use population as one of their determining factors for resource allocation, if these projections become reality.

Based on these population projections, New York's congressional delegation will decline from its current 29 seats (a decline of two seats after the 2000 census) to 27 in 2010, 25 seats in 2020 and 23 seats in 2030, projecting a total loss of 8 congressional seats since the year 2000 based upon its relative share of the national population.

The Implications for New York

New York is getting older and has a higher percentage of people living in poverty than most of the country, which will cause an increasing demand for state and county tax-supported services. For vast areas of our State, particularly in Upstate New York, there will be growing demands for services, with fewer individual and business taxpayers to pay for them if current trends continue.

Research studies by Cornell University and the Federal Reserve Bank of New York both indicate that opportunities for good jobs were seen as a major contributing factor for college educated professionals to remain in New York. Without these new career and job opportunities, New York will continue to have negative out-migration and overall population decline in many areas of our state.

Without attracting new business expansion, job growth and the people who will follow them, many counties in our state will face continuing population decline in the future. As a result, they may well be doomed to face the prospects of enacting annual increases in property, sales and other local taxes as they struggle to meet ever-growing service demands, particularly from a growing senior citizen population and a significant number of individuals living in poverty.

The State of the New York Economy: What the Indicators Say

The State of the New York Economy will have a great influence on individual decisions to remain in or relocate to New York. The year-end indicators of economic performance clearly show that the national recession has taken firm hold of the State's economy.

Skyrocketing unemployment and the loss of private sector jobs in the last quarter of 2008 are signaling an impending increase in demand for supportive services from the State and county governments. This will place added burdens on government budgets already reeling from decreasing tax collections and sales tax revenues.

Increasing costs for food and other essentials overshadow the falling prices of gasoline, and will place additional burdens on consumers already worried about their economic security due to increasing plant closings and layoffs throughout the state.

This overall lack of consumer confidence and general malaise in the housing market may foretell continued job loss as manufacturers, retailers and businesses in general suffer from declining sales and income brought on by consumers' hesitancy to spend.

Doing Business in New York: What Employers Have to Say

After a decade of stagnant job growth, New York is facing the need for a determined effort to attract new business investments and job creation as a means to stem the out migration of our population, and to attract new residents to our State. But that can be easier said than done

New York's individual business rankings vary from publication to publication but there is no denying that business executives find New York a less desirable location to do business than most other states in the United States

Despite this overall negative perception, these business rankings do indicate the New York State has several competitive advantages in comparison to other parts of the country that give New York opportunities upon which to build and grow on.

The business surveys summarized all gave New York strong ranking advantages to other states when it came to technology and innovation, education (particularly the strength of our college and university network), access to capital, number of major industries located here and our overall quality of life.

But these distinct advantages are almost entirely overshadowed by our standing as one of the most expensive states in the nation in which to do business. New York's rankings are almost universal as being one of the most costly states in the country when this category is taken into consideration by business leaders.

Conclusion

New York has over 200 institutions of higher learning in the state, many of whom are involved in promising new research and development with businesses that may result in technological breakthroughs that lead to the creation of the industries of the future.

New York will have to confront the real possibility, however, that the research breakthroughs that spur the next generation of high technology industries may occur in New York, but the commercial applications of them which create the jobs of the future may occur someplace else due to the cost implications of doing business in New York.

There are opportunities before us for the taking, but it will take the leadership, courage and partnership between the state and local governments to undertake the reforms necessary to make our state a great place to live, work and do business once more.

The time of delays and procrastination is coming to a close. The time to confront and change our competitive disadvantages is now. The future of our state depends on it.