

NEW YORK'S POWER FOR JOBS PROGRAM

CHEAP POWER, NO JOBS

STATE KEEPS SUBSIDIZING FIRMS THAT DON'T CREATE PROMISED JOBS

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It's called Power for Jobs, but sometimes it's Power for Layoffs.

More than a third of the businesses receiving state-subsidized electrical power in New York's Power for Jobs program failed to deliver the jobs they promised.

Contracts that each business signs to get the cheap power allow the New York Power Authority to terminate or reduce a company's benefits if the business doesn't keep its jobs pledge.

But when companies cut workers, the Power Authority rarely pulls the plug.

In some cases, the state-run power producer continued to subsidize electrical power for corporations for years after they had eliminated hundreds of jobs.

Take Cooper Crouse-Hinds.

The Salina manufacturer of industrial electrical products had 1,111 workers in 1998 when the Power Authority's trustees awarded it 5,000 kilowatts of subsidized power. In return, Cooper Crouse-Hinds agreed to retain all of its jobs, and to create 45 new ones within three years.

Instead, Cooper Crouse-Hinds today has 526 workers -- half of what it had when it was first awarded cheap power.

But the cheap power continued to flow. It helped Cooper Crouse-Hinds save \$200,000 to \$250,000 each year for the past six years, according to a Cooper executive.

Last year, 200 of the 573 companies (35 percent) receiving Power for Jobs benefits didn't fulfill their obligations, according to records The Post-Standard obtained through a Freedom of Information request.

The toughest the authority got was this year, when job-cutting companies were dropped from the program at the end of their contracts. But the governor and legislature, at the urging of the Power Authority, moved quickly to allow offending businesses back in.

One of the biggest flops was Carrier Corp.

The Power Authority's trustees voted to continue the flow of cheap power to Carrier in November 13 months after Carrier announced it was going to shut down all manufacturing at its DeWitt plant, eliminate 1,200 jobs, and move the work to China, Singapore and Georgia.

Carrier Corp. missed its target by 1,717 jobs the second-biggest shortfall in the state.

Gov. George Pataki, who appoints the authority's trustees, has called the Power for Jobs program an important economic development tool that has helped save 300,000 jobs. It cost the state \$85 million last year.

In May, the Pataki administration defended another state jobs-creation program that has a big share of underachievers. The Empire State Development Corp. acknowledged that 40 percent of the businesses to which it gave job-creation grants and loans failed to hire as many workers as required. Like the Power Authority, Empire State Development opted not to penalize most of those who missed their targets.

Some companies including McLane Northeast, a national grocery and foodservice distributor with a warehouse in Lysander received hundreds of thousands of dollars in state grants from the Empire State Development Corp. and subsidized power from the Power Authority and failed to produce the jobs required for either government aid package. McLane fell 157 jobs short of its target.

McLane officials declined to comment. The company has had problems finding qualified workers, according to minutes of a 2004 Power Authority meeting.

Power Authority spokesman Michael Saltzman said Power for Jobs has been a success. Overall, the program has delivered the total number of jobs promised by the companies, he said. That's because some companies have hired far more workers than required.

Power for Jobs' biggest statistical success stories did not involve manufacturing jobs that officials often cite when defending the program. Seven of the 10 companies that beat their requirements by the largest number were hospitals, universities or not-for-profit organizations.

The Power Authority's trustees are reluctant to penalize companies, acknowledged Saltzman.

The authority terminated Power for Jobs benefits for 12 non-compliant companies from 1997 through 2001.

Then, for three consecutive years, from 2002 to 2004, the five Power Authority trustees declared a moratorium on terminating or reducing benefits. Citing a poor national economy, the trustees agreed to continue subsidizing electricity to the companies no matter how many workers they employed.

Cutting the cheap power would only aggravate a company's financial struggles and could prompt more layoffs, Saltzman said.

"If a company is acting in good faith with us and is experiencing difficult times, for whatever reasons that are outside its control, we feel it's a good idea to work with these companies," he said.

Under the program's regulations, the Power Authority cannot take subsidized power from a business that missed its jobs target and award it to another business, Saltzman said.

"What's the point of putting these businesses into a potential crisis when the power would not be available to anyone else?" he asked.

New York expects to spend \$90 million to \$115 million this fiscal year on the program.

The Power Authority pays for 100 percent of the program, using revenue from its energy sales and income generated by its sale of two nuclear power plants, Saltzman said.

N.Y.'s High energy costs

The program has widespread support in the business community which says that New York's high energy costs make it difficult to compete here.

Commercial users of electricity in New York pay an average of 43 percent more than elsewhere in the country, according to the Fiscal Policy Institute. Industrial prices here are 19 percent higher than average.

Randy Wolken, president of the Manufacturing Association of Central New York, said the 35-percent non-compliance rate in Power for Jobs is not a problem.

"What's important is those firms are still here and still providing employment," he said. "If you pull their power allocation, it gives them a reason to move out of New York and you lose all the jobs."

The state comptroller's office criticized the Power Authority in a 2001 audit for not enforcing the Power for Jobs job requirements.

Some government watchdogs also say New York should not be selectively providing power subsidies to fewer than 1 percent of the state's employers.

"The government is using government-controlled resources to subsidize some firms at the expense of others," said Frank Mauro, executive director of the Fiscal Policy Institute, a liberal think-tank. "Rather than everyone having a slightly lower cost of energy, this results in some firms having a slightly higher cost and a small number have a substantially lower cost."

Greg LeRoy, founder and director of Good Jobs First, a national nonprofit that researches state and local job subsidies, said governments should enforce "claw-back" provisions when companies do not produce the jobs they promise. But politicians usually have difficulty holding non-compliant companies accountable, he said.

"Obviously people in Albany don't want to be tagged as guys who hurt jobs," LeRoy said.

Across the country, one-third to one-half of companies fail to produce the required jobs in subsidy programs linked to hiring, said LeRoy, author of "The Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation."

Lenient Legislature

The Power Authority has 160 pending applications for Power for Jobs benefits and is not accepting new ones. No new companies have been awarded the benefits in more than a year.

In 2004, the state Legislature tightened the program's rules.

The Power Authority was allowed to cut off the companies that fell short in hiring after their contracts expired in 2004 or 2005. The authority bounced 122 companies including Cooper Crouse Hinds.

After lobbying by business groups, Pataki last month submitted to the Legislature a bill that reversed that situation.

The bill, approved nearly unanimously June 23 by the Senate and Assembly, allows the Power Authority to use discretion in deciding if businesses that missed their jobs targets should continue to receive benefits.

Pataki is expected to sign the measure into law.

"This will give us the flexibility to give benefits to the 122 companies that would otherwise be shut off," Saltzman said. "The legislature wants the benefits restored."

Sen. James Wright, R-Watertown, chair of the Senate Energy and Telecommunications Committee, said the Power Authority needs to be able to look beyond a company's job stats.

He said one company in his district, Knowlton Specialty Paper in Watertown, had to unexpectedly lay off workers in 2002 following an explosion at its plant.

"So do you penalize those people? No. Then it further exacerbates the problem and their ability to survive," he said.

Assemblyman Paul Tonko, the chairman of the Assembly Energy Committee, agrees. Because New York's energy costs are so high, there is pressure on legislators to continue to provide subsidized power to companies even if they didn't hit their jobs target, he said.

"We're talking tens of thousands of jobs assisted that might have evaporated if we didn't have these programs," he said. "We have no choice but to try to assist somehow and have the forces of government get involved."

After Pataki signs the bill, Cooper Crouse-Hinds will apply to the Power Authority to have its benefits restored, said Curt Andersson, the company's president.

"We have no beef against them terminating our contract," he said, acknowledging the job losses there.

But the extra \$250,000 per year in energy costs Cooper Crouse-Hinds now must pay might affect Cooper's decisions to have new products built in Syracuse or at its other plants, Andersson said.

"It further hurts our competitiveness," Andersson said. "Over time it will definitely make a difference."