

## Getting Back to Business

**Business Council of New York State Annual Meeting  
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[As prepared for delivery]

First I want to thank Ken Adams and the members of the Business Council for being such strong partners over the past eight months. Let me also congratulate Alair Townsend on receiving the Corning Award for Excellence.

I will begin today by reporting to you on the results we have achieved over the past eight months. But I also want to look ahead and talk about how we will build upon our successes. Above all else, I want to make it clear that together, we are getting results; that the future is bright; and that no matter what distractions others may be focused on, when it comes to reducing our cost structure and revitalizing our economy, we are getting back to business.

It was one year ago today that I made a promise to you, right here in this room. It was here that I outlined the broad framework of a workers' compensation reform plan that would serve as the starting point of our efforts to rebuild New York's economy to compete on the global stage.

Do you remember how some observers responded at the time? They said reform was all but impossible—the problems too complex; our program too ambitious; and that those who opposed reform were too powerful and too entrenched.

But the Business Council stood with me, and on the very day after the election, we brought Ken Adams and Denis Hughes together and got down to business. Two months later, we brought the Legislature to the table and began the hard negotiations. And two months after that, we reached an agreement.

We called it “groundbreaking,” “unprecedented,” and even “historic.” Yet people still held their breath, thinking that it just wasn't possible, that there was no way we could deliver on a promise to both raise benefits *and* cut rates by 10 to 15 percent.

And they were right.

We got 20 percent. 20.5 percent to be exact, saving New York's businesses \$1.2 billion dollars. In one year, from rhetoric to reality: \$1.2 billion dollars.

Think about that for a moment. In the past six years, the State's entire economic development spending averaged \$700 million dollars per year. Yet here, with just one action, we will pump \$1.2 billion dollars back into the pockets of New York businesses year after year.

But here's the point I really want to drive home. In the beginning, few thought that untangling the Gordian knot of workers' compensation was possible. But we were hopeful. We were

optimistic. And we were realists. It was this combination of optimism and realism that led us to succeed.

### **Getting Results: The Three Pillars of our Economic Development Strategy**

This combination also underlies our entire economic development agenda. Because as critical as workers' compensation reform was, we all know that stagnation and decline have been the reality for so long, and the structural problems are so enormous, that you can't simply focus on one issue at a time.

That's why, in the State of the State, we laid out a comprehensive economic development strategy based on three pillars: first, adapting to the innovation economy; second, reducing the cost of doing business; and third, strengthening our infrastructure. Everything we have done, and everything we plan to do, builds on these three pillars.

#### *Adapting to the Innovation Economy*

Our first pillar is adapting to the Innovation Economy, which starts with education reform. Why? Because in the Innovation Economy, intellectual capital is the fulcrum of job creation. More than cheap hydropower, good transportation infrastructure or an international border, our people are our greatest resource, and all this month, I have been traveling the state, visiting our schools and galvanizing momentum for our next round of education reform.

Back in January, we promised to make an historic investment in our schools, and we delivered on that promise with \$1.8 billion dollars in new aid, a 10 percent increase. But we also delivered on our promise to establish a rigorous accountability program—the Contracts for Excellence—to ensure that this infusion of funding gets results. With the reforms and accountability we have established, and with the resources we have committed, we have removed any excuse for failure in our education system, and we have imposed the obligation to succeed.

Already we are seeing the results. On Monday we announced that as a result of our targeted investment, up to an additional 40,000 New York children have access to pre-kindergarten classes for the very first time. More children are spending more time in the classroom than ever before. And more children are learning in smaller classes. These are real results that will pay real dividends in the form of a steady supply of high-skilled workers.

We have also convened a Higher Education Commission to transform the SUNY and CUNY systems into institutions that are not only world-class, but also powerful engines for economic development. This is something I know the Business Council understands, which is why I nominated Linda Sanford to the SUNY Board of Trustees. She will bring a wealth of knowledge and experience in the Innovation Economy to bear on our efforts.

In addition to developing our *future* workforce, we must address our *existing* workforce. The goal must be a strategic, demand-driven workforce development system. But, as you all know too well, what we inherited was not really a system at all, but a set of balkanized programs spread out over 11 different agencies and funded by 28 different revenue streams. Over the next

several months, we will rationalize these programs and ensure there is a single planning process for the money we spend, tied to real performance measures.

Succeeding in the Innovation Economy also demands economic development agencies of the highest caliber. That's why I nominated Pat Foye to head the Downstate Empire State Development Corporation, and Pat has been doing a tremendous job. We also established an Upstate headquarters for ESDC and nominated a separate chairman, Dan Gundersen, who is zeroing in on revitalizing Upstate. As a result of the action we took on day one, we have an entire agency that is nimble, quick and effective.

Under Dan, Upstate ESDC is getting results. Over the past eight months, they have secured commitments to create 2,900 jobs, retain 9,400 jobs, and invest \$1.45 billion in private dollars in the Upstate economy.

But we are not resting on our success. Today I want to announce a new effort that Upstate ESDC will undertake over the next several months.

We often talk about the "Upstate economy" as some monolithic region. But as all of you know, that term is misleading. Upstate is made up of many different regions with different priorities, different competitive advantages and different challenges. And within these regions, different economic development agencies and business groups are working on different priorities, sometimes even at cross-purposes.

It's because of these regional differences that I've asked Upstate ESDC to convene local economic development officials, business and labor leaders to develop "Regional Economic Blueprints." This effort is part of changing the state's "one-size-fits-all" approach into one with a targeted strategy for each region. And rather than competing against one another, all stakeholders in each region will be united around a common vision.

### *Reducing New York's Cost Structure*

The second pillar of our strategy is reducing New York's high costs—what I call the "perfect storm of unaffordability"—for both businesses and people.

In addition to workers' comp reform, despite extraordinary budget pressures, we've remained true to our commitment not to raise taxes. Not only have we not raised taxes; we have cut them, cutting property taxes by \$1.3 billion dollars and cutting business taxes by \$150 million dollars.

We have also taken the first steps to reducing health care costs for businesses by implementing the structural reforms necessary to make high quality health care more affordable. We cut an exploding Medicaid budget by \$1 billion dollars, reducing the average annual growth rate from 8 percent to 1 percent this year. We achieved this despite an unprecedented attack from the status quo, which spent \$10 million dollars in advertising in the last six weeks leading up to the passage of the budget.

But we can't rest on our laurels. We need to continue reducing New York's cost structure.

This will not be easy in the context of an upcoming budget season that will feel the brunt of Wall Street's volatility.

Nevertheless, let me take advantage of this opportunity to renew my pledge: next year, we must not, we cannot, and we will not raise taxes. In fact, we will continue reducing taxes.

We will also continue to work to ease burdensome mandates like Wicks Law, and will not shy away from the bigger challenges like medical malpractice reform and other liability costs.

### *Investing in Infrastructure*

The third and final pillar of our strategy is to invest in the infrastructure needed to catalyze and sustain economic growth, something that will also contribute to our efforts to reduce the cost of doing business.

Take energy costs. We know they are still too high, but over the past eight months, we have laid the groundwork for future reductions. We extended the Power for Jobs program—with a commitment to taking that program to the next level in the future. And we are implementing a strategy called “15 x 15” to reduce electricity consumption by 15 percent by 2015 so that, in the long term, we can reduce the demand for energy that is driving up costs.

And to address the supply of energy going forward, we will continue to press for a new power plant siting law to replace the old Article X, one that recognizes the importance of fuel diversity and also encourages clean energy.

We have also invested \$1.2 billion in our transportation infrastructure and have broken the gridlock on key projects like the Peace Bridge, the Tappan Zee Bridge, and the Second Avenue Subway.

We also must recognize that access to affordable, high-speed broadband is just as important in today's Innovation Economy as access to a paved road or to reliable electricity. That's why, over the next several months, we will detail our plan for universal access to affordable, high-speed broadband.

Those are the three pillars of our comprehensive strategy. And while we have achieved result after result over the past eight months, as I said several weeks ago at the Chautauqua Institution, we must never get complacent. We will continue to build on this foundation—adapting to the Innovation Economy, reducing the cost of doing business and investing in our infrastructure.

### **Going Forward: The Need for Both Realism and Optimism**

Yet, if we are going to succeed over the next several months, we must step back for a moment to acknowledge an important dynamic.

To succeed going forward, we will need the right priorities and the right policies. But just as important, we will need the right mindset.

It is our obligation to be honest about the hard reality on the ground. For example, the Business Council just released a report showing that, from 1995 to 2005, New York trailed most other states in job growth, wage growth, income growth and population growth. Those are the facts, and we take them dead seriously. Because if you don't acknowledge that reality, how can you begin to change it?

At the same time, we must understand the role of optimism.

When a team is down at halftime, and the coach stands up in the locker room to address his players, he does not tell them that the sky is falling. Rather, he gives an honest assessment of the situation, maps out a new strategy and instills in his team the confidence that they can win.

To borrow an example from football: in the first round of the 1993 NFL playoffs, when the Bills were trailing Houston 28-3 at halftime, Coach Marv Levy walked over to his quarterback, Frank Reich. He didn't recount the disastrous first half. Rather, he said: "Frank: Today you are going to lead us to the greatest comeback win in the history of professional football." And the rest *is* history.

My wife, Silda, put it another way at the "I Live New York" conference yesterday. Silda said, "New settlers want a place that believes in itself, one that offers hope and potential. So, we have to undergo a real shift in our thinking."

My point is that if we are serious about getting other people to support our agenda for change, we must recognize that no one will buy into us unless we buy into ourselves.

In this effort, the words of the Business Council are enormously influential.

Take your recent "Economic Growth Index." In it, you lay out the hard reality of Upstate's stagnation and decline. This is a critically important document because, as I said before, if you don't know where you came from, how can you possibly change your direction?

But equally important, we must not only look at where we came from, but where we are and we are going.

Remember, the report's conclusions were based on the fact that New York lagged behind the rest of the nation in economic growth from 1995 to 2005. And while that is undeniably true, it masks certain realities that are just as important.

What do companies and individuals consider when they decide where to invest or where to live? Of course they look at how the economy has done over the past 10 years, because that will give them a certain sense for the reality they are walking into. But equally if not more important to them are the trends that are taking place right now and the prospects for the future.

And the fact is: our economy is stronger right now, and the prospects for the future are brighter right now, because of the change we have been able to achieve over the past eight months.

Now, we're not optimistic because we're Pollyannaish. We're optimistic because we are actually making progress and taking advantage of our assets and opportunities.

Earlier I mentioned all the successes we have been able to achieve—\$1.2 billion in workers' comp savings, reductions in property and business taxes and major investments in education and infrastructure.

Successes like these are also happening on a micro level all over the state.

- Carestream in Rochester
- Roswell Park spin-offs like PersonaDX in Buffalo
- BAE and Lockheed in the Southern Tier
- Beech-Nut in the Mohawk Valley
- Newton Falls Fine Paper in the North Country
- Sematech in Albany
- Canon USA headquarters on Long Island
- JPMorgan Chase's planned move to 5 World Trade Center (rebuilding of World Trade Center site)

Now, you might say, "That's all well and good. You can reform statutes, shift funding streams and cut deals all you want. But what about overall economic performance?" Fair enough. So let's look at the numbers. The fact is: growth over the past 12 months is on the rise.

Comparing last July to this July, Upstate New York added 28,700 jobs—80 percent of them in the private sector—for a growth rate of 1 percent. Now, is that the growth rate we ultimately aspire to? Of course not. But consider the fact that for the 12 months before that, job growth was one tenth of that: 0.1 percent. In fact, Upstate's job growth rate over the past 12 months was stronger than it was in any 12-month period since 1999-2000. Again, is that enough to claim success and walk away? Not at all. And we need to see many more years of growth in order to make sure this is a trend and not an anomaly. Nevertheless, we are making progress.

So, what is the story that groups like the Business Council should tell? That's for you to decide.

I only suggest that if we show the world that we have achieved real reform and are seeing real results, our agenda for change will be validated, we will gain momentum, and we will be able to harness that momentum for greater change next year and in years to come.

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Over the past eight months, the Business Council has been a strong partner and a great friend. You have rolled up your sleeves and joined us in reform. You have provided key support at moments when it was needed most. And, most importantly, you have kept us honest, telling us the reality that your members are facing on the ground and what needs to be done to help them.

I believe we can make even *more* progress if we recognize that negativism only strengthens the status quo; and that optimism—tempered by realism—is the mindset needed to rebuild New York’s economy to compete on the global stage. That is the root of our partnership. That is the goal we share. We are making great progress, and if we keep working together, I am confident that we will get there.

Now, let’s get back to business.

Thank you.

[As prepared for delivery]