

February 27, 2019

Re: S.B 457, S.B. 738, S.B. 874

Alex, Will, Lucy and Tom,

Regarding school regionalization, I'm forwarding to your attention (link below in this email, at end of PDF attachment) a letter that was written recently by NY's Budget Director, Robert Mujica, in the wake of Amazon's decision to renege on bringing 25,000 high paying jobs to Long Island City due to an overly political and uncertain climate. (This deal likely had a three year break even point, after which NY would have gained ~\$1B/year in tax revenue)

<https://www.governor.ny.gov/news/open-letter-new-york-state-budget-director-robert-mujica-regarding-amazon>

The Amazon case study is relatable to school regionalization for the following reasons:

- 1) Something great evaporated due to politicians following their base/gut- but not understanding the real world
- 2) In the wake of the fall-out, the size and strength of the silent majority becomes (and is becoming) clear
- 3) The event further accelerates the now well established reality of out migration from high tax states like NY, CT, NJ, in favor of tax friendly states in the southeast

I am a New Canaan, CT resident with my wife and three small children (almost 6, 4, and almost 2). My oldest child attends Kindergarten in New Canaan- the school system was the overwhelming reason that we picked CT over RI (where we moved from) and NY/NJ (which are closer to my wife's employer in NYC). But for the schools, there are no compelling reasons to remain in New Canaan, or anywhere in CT.

In my career I am a real estate owner and investor, operating along the east coast. I see first-hand how policy in the northeast is driving residents out of state and to the southeast. The Amazon debacle and school regionalization in CT will only accelerate the out-migration of tax payers from the northeast.

Please understand one thing, while regionalization might provide for one politician's base a "win" in an in-state / town vs. another town rivalry, the larger reality is that everyone who remains in CT loses as the real world works.

Politically driven school experimentation, high taxes, and a political business development environment are a perfect storm for one thing-> tax payers leaving the state. (My family included)

Respectfully,

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FEBRUARY 22, 2019 Albany, NY

Open Letter From New York State Budget Director Robert Mujica Regarding Amazon

"As just about everyone in this state, if not the country, knows by now, Amazon has terminated its plans to bring its second headquarters to New York State. It is a tremendous loss for New Yorkers and I hope that at a minimum, we understand the lessons learned.

"In my 23 years in the State Capitol, three as Budget Director, Amazon was the single greatest economic development opportunity we have had. Amazon chose New York and Virginia after a year-long national competition with 234 cities and states vying for the 25,000-40,000 jobs. For a sense of scale, the next largest economic development project the state has completed was for approximately 1,000 jobs. People have been asking me for the past week what killed the Amazon deal. There were several factors.

"First, some labor unions attempted to exploit Amazon's New York entry. The RWDSU Union was interested in organizing the Whole Foods grocery store workers, a subsidiary owned by Amazon, and they deployed several 'community based organizations' (which RWDSU funds) to oppose the Amazon transaction as negotiation leverage. It backfired. Initially, Whole Foods grocery stores had nothing to do with this transaction. It is a separate company. While Amazon is not a unionized workforce, Amazon had agreed to union construction and service worker jobs that would have provided 11,000 thousand union positions.

"New York State also has the most pro-worker legal protections of any state in the country. Organizing Amazon, or Whole Foods workers, or any company for that matter, is better pursued by allowing them to locate here and then making an effort to unionize the workers, rather than making unionization a bar to entrance. If New York only allows unionized companies to enter, our economy is unsustainable, and if one union becomes the enemy of other unions, the entire union movement - already in decline - is undermined and damaged.

"Second, some Queens politicians catered to minor, but vocal local political forces in opposition to the Amazon government incentives as 'corporate welfare.' Ironically, much of the visible 'local' opposition, which was happy to appear at press conferences and protest at City Council hearings during work hours, were actual organizers paid by one union: RWDSU. (If you are wondering if that is even legal, probably not). Even more ironic is these same elected officials all signed a letter of support for Amazon at the Long Island City location and in support of the application. They were all for it before Twitter convinced them to be against it.

"While there is always localized opposition, in this case it was taken to a new level. The State Senate transferred decision-making authority to a local Senator, who, after first supporting the Amazon project, is now vociferously opposed to it, and even recommended appointing him to a State panel charged with approving the project's financing. Amazon assumed that the hostile appointment doomed the project. Of course the Governor would never accept a Senate nomination of an opponent to the project and the Governor told that to Amazon directly. The relevant question for Amazon then became whether the Senate would appoint an alternative who would approve the project.

"As newspapers have reported, Amazon called the Senate Leader and asked if she would appoint an alternative appointee who would support the project. The Senate would not commit to an alternative appointee supporting Amazon. That was the death knell. No rational company, or person for that matter, would assume the

Senate would flip flop from appointing a staunch opponent of the project to appointing a supporter of the project. It defies logic. However, if that was their plan, Amazon needed a direct representation to that effect from the Senate. It never came. Indeed, to this day, the Senate has never said they would appoint a member who would support the project. Companies assume rational, logical behavior and cannot spend months and millions of dollars on approvals if ultimately the road is a dead end.

"Furthermore, opposing Amazon was not even good politics, as the politicians have learned since Amazon pulled out. They are like the dog that caught the car. They are now desperately and incredibly trying to explain their actions. They cannot. They are trying to justify their flip-flopping on the issue with false accusations that it was a 'backroom deal.' Let's remember that as a condition of the competition, every bid was sealed to prevent governments from altering their bids to be more competitive. Empire State Development supported the numerous local applications in the state who wanted to bid for HQ2, but on the condition that the local elected officials and community supported it, and Long Island City was no exception.

"In working with New York City, we advanced Long Island City's application with the signed support of the area's local elected officials, including State Senator Mike Gianaris and New York City Councilman Jimmy Van Bramer. Both Gianaris and Van Bramer flip-flopped on this position after Long Island City was chosen, distorting the facts of the agreement and mischaracterizing the tax subsidies as 'a cash giveaway.' Now that Amazon has pulled out, local politicians are feeling the backlash from the project's previously silent supporters and are dissembling. Local senators' claims that their phone calls were not returned are particularly offensive, given that the local senator was the first person ESD President and CEO Howard Zemsky met with when we made the HQ2 announcement. I also remained in contact with him about the project as the State Budget Director, and he refused to sit on the community

engagement board or even meet with Amazon representatives. Efforts were made to address legitimate concerns, all of which were ignored.

"Third, in retrospect, the State and the City could have done more to communicate the facts of the project and more aggressively correct the distortions. We assumed the benefits to be evident: 25,000-40,000 jobs located in a part of Queens that has not seen any significant commercial development in decades and a giant step forward in the tech sector, further diversifying our economy away from Wall Street and Real Estate. The polls showing seventy percent of New Yorkers supported Amazon provided false comfort that the political process would act responsibly and on behalf of all of their constituents, not just the vocal minority. We underestimated the effect of the opposition's distortions and overestimated the intelligence and integrity of local elected officials.

"Incredibly, I have heard city and state elected officials who were opponents of the project claim that Amazon was getting \$3 billion in government subsidies that could have been better spent on housing or transportation. This is either a blatant untruth or fundamental ignorance of basic math by a group of elected officials. The city and state 'gave' Amazon nothing. Amazon was to build their headquarters with union jobs and pay the city and state \$27 billion in revenues. The city, through existing as-of-right tax credits, and the state through Excelsior Tax credits - a program approved by the same legislators railing against it - would provide up to \$3 billion in tax relief, IF Amazon created the 25,000-40,000 jobs and thus generated \$27 billion in revenue. You don't need to be the State's Budget Director to know that a nine to one return on your investment is a winner.

"The seventy percent of New Yorkers who supported Amazon and now vent their anger also bear responsibility and must learn that the silent majority should not be silent because they can lose to the vocal minority and self-interested politicians.

"It was wrong to manage this issue as if it were a single legislator's political prerogative on a local matter. This was not a traffic signal or local zoning issue. Losing the Amazon project was not just a blow to Queens County, it hurt the whole State from Long Island to the Capitol Region's nanotechnology corridor to the emerging Panasonic plant in Buffalo, and it was a bad reflection on every single local elected official. Legislators must realize there is a difference between playing politics and responsibly governing.

"Progressive politics and policies have been the signature of Governor Cuomo's administration. No state in the nation has more progressive accomplishments, and being the most progressive state in the nation means having the most stringent and aggressive protections and policies in place. We are proud that our values create a stronger, healthier, fairer work environment, but we shouldn't kid ourselves about how they impact our competitiveness when businesses consider where to locate. We are also proud of the unprecedented investments we make in education, healthcare, infrastructure and housing, but in order to fund them, we need a sustained tax base.

"As the political debate rages in this country, the Governor reminds us of the fact that 'to be a progressive, there must be progress.' The creation of opportunity and jobs is the engine that pulls the train and, as he also often says, 'the best social program is still a job.' Without a tax base we are not financially able to achieve the laudable goals we seek.

"Make no mistake, at the end of the day we lost \$27 billion, 25,000-40,000 jobs and a blow to our reputation of being 'open for business.' The union that opposed the project gained nothing and cost other union members 11,000 good, high-paying jobs. The local politicians that catered to the hyper-political opposition hurt their own government colleagues and the economic interest of every constituent in their district. The true local residents who actually supported the project and its benefits for their community are badly hurt. Nothing was gained and much was lost. This should never happen again."

Contact the Governor's Press Office



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