



2010: The Year Ahead

Annual presentation by LIA President Matthew T. Crosson to members of the LIA Small Business Council.

Presented on Jan. 12, 2010.

How Bad Is It?

- **Job Loss: 34,800 Nov.-Nov.**
 - Peaked at 44,000 in June; about half 86,000 job losses of 1990-1992 recession
 - Losses in all sectors
- **Unemployment rate: 6.8%, down from 7.2%**
- **Inflation: 1.8% NY Metro Area**
- **Sales tax: down 3.4% in Nov. 2008, compared to 7.1% Nov. 2008**
- **Home prices: down 0.7% Nassau, 1.5% Suffolk versus Nov. 2008**
 - Price decline ending; inventories declining

Keeping Perspective

- 1973-1974 Bear Market: Inflation 12%, Unemployment 9%
- Early 1980's: Inflation 15%, Unemployment 10.8%, Prime rate: 21%
- 1990-1992: loss of 84,000 jobs, aerospace declines large
- Recovered all jobs by 2000

How to Look at 2010 Economy

- LI economy bottoming out, but not yet in recovery
- Job losses are significant, but there are other signs of improvement
 - Home prices; retail sales
- Real recovery depends upon job creation and business/consumer credit

It's Important To ...

- Keep perspective, without minimizing reality
- Understand that we are a consumer economy and consumers are traumatized
- Remember that LI has a diverse economy, with a strong small business base
- That's our strength; build on it

Other Issues for 2010

- State budget deficit and its effect
- Local budget and tax issues
- Political year
- Federal stimulus for small businesses and job creation
- Federal health insurance reform

NYS Budget Deficit(s)

- 2010-2011 deficit estimated at between \$8 and \$11 billion
- Three year deficit estimated at about \$40 billion
- 2009 Legislature raised taxes effectively \$11 billion
 - MTA payroll tax
- Potential effect of cuts
 - School aid

Local Budget and Tax Issues

- Nassau deficits; NIFA concerns
- Nassau assessment review
- Suffolk budget
 - 5% sales tax growth assumption
- School districts
 - State aid reductions
 - Basic cost increases
- Net effect: difficult to keep down tax increases

A Very Political Year

- **Governor Paterson**
 - Rick Lazio, Steve Levy, Andrew Cuomo
- **State Legislature**
 - Many vulnerable seats, both sides
- **U.S. Senate: Kirsten Gillibrand**
 - Bruce Blakeman
 - Former Rep. Harold Ford, Jr.
- **Net effect: a lot of noise, not much action**

Federal Stimulus for Small Business

- Meeting with LI Congressional delegation last year
- Now Obama proposes:
 - Eliminate capital gains on small business investment
 - Extends thru 2010 \$250K investment write off
 - Eliminate SBA fees and raise guarantees
 - Cash for Caulkers: home weatherization
- **Why not tax credit for consumer spending?**

Health Insurance Reform

- **Employers:**
 - **House: must provide or pay 8% fee**
 - Payroll <\$500K exempt
 - 10 or fewer employees: tax credits to help
 - **Senate: not required**
 - But 50+ employees pay \$750 per employee fee
- **Individuals: must have coverage**
- **Effective: 2013 or 2014**

In 2010, Pay Attention To...

- From the State: Long Island getting its fair share when cuts are made
- Locally: school districts doing all they can to reduce costs without reducing quality; Nassau tax assessment problem: can it be solved?
- From Feds: real small business stimulus; NYS getting its fair share

A Final Note