

Although income and education rankings take years to change, the state is making progress. The poverty rate, though still among the nation's highest at 17.6%, dropped 32% in eight years. The number of deficient bridges, a measure of highway maintenance, was reduced 30% 1990-98.

"All through the '80s, it was, 'Oh, we can't do that because we don't have the money,'" says Tom Pittman, publisher of *DeSoto Times Today*, a newspaper in the now-booming suburbs south of Memphis. "There were literally bricks falling off of buildings at some of the universities."

So when the economy started to boost state revenue in the late 1980s, officials poured the money into decaying infrastructure. Roads

Hospitals	\$240
Miss.	\$170
U.S.	\$110
Total spending	Miss. \$3,150
	U.S. \$3,120

Source: U.S. Census Bureau, Nelson A. Rockefeller Institute of Government, State University of New York-Albany; USA TODAY analysis by Paul Overberg.

By Alejandro Gonzalez, USA TODAY

are up, and there's air conditioning in every classroom.

Higher education has thrived from the bristling economy: It won \$618 million for capital improvements during the '90s. Three University of Mississippi campuses received more than \$300 million. An advanced education center is being established in Tupelo. A new administration building towers over the campus at Mississippi Valley

been fixed up for the first time in decades.

Their picnic areas have become recreational facilities.

"We had a very good decade in this state," state Treasurer Marshall Bennett says.

"It has changed the face of the state. The quality of life here is dramatically improving."

That was evident during a two-day tour of Mississippi — as were the downsides of development:

► In the dirt-poor Delta, big business is thriving. Viking Range, maker of cooking equipment, has expanded in Greenwood, along the banks of the Yazoo River, thanks in part to state grants, loans and tax credits. Dollar General, a chain of neighborhood stores, has invested more than \$100 million in its dis-

ed together to improve everything from cardiac health to high school graduation rates. However, Tupelo Mayor Larry Otis, who presides over a city with 35,000 people and 55,000 jobs, sees a downside to the casinos that are driving much of the state's revival. "People are losing their homes" because of compulsive gambling, he says. "There's no product produced in that industry."

► In Tunica and nearby DeSoto County, where distribution centers have cropped up to support the Federal Express headquarters in Memphis, development is booming. Some of the nation's largest-grossing retail outlets are here, thanks to the widening of east-west Route 302.

Progress has come too late to

help Mississippi's elderly poor: "It's done the young people good," says Eugene Taylor, 70, resting on a tractor on a farm overlooking Tunica's casinos.

Had it happened earlier, he says, "I wouldn't have killed myself picking cotton."

Despite an unexpected drop in revenue this year that has left the state a budget shortfall, officials say their future is bright.

In the past, "we've been perceived to be 50th," Musgrove says. But with a new economic development strategy in the offing, "we believe that we will be positioned well in the new economy."

# N.Y.'s tax-cutting campaign boosts its image

## Economic climate heats up business

By Richard Wolf  
USA TODAY

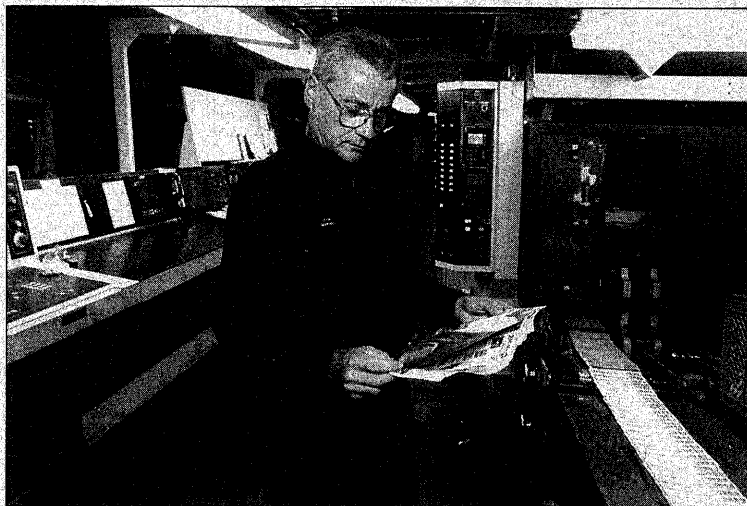
SARATOGA SPRINGS, N.Y. — Quad/Graphics employed fewer than 500 workers on its bucolic campus here in 1996. It wanted to add catalogs to fill in the gaps in its magazine-printing schedule, but catalog companies that bought its services faced hefty sales taxes.

So it successfully lobbied the state for a sales tax exemption. Today, the company has nearly 1,300 employees spread over 1.2 million square feet of manufacturing space in this picturesque tourist town. It churns out 12 million catalogs a week when it's not printing *Time*, *Newsweek*, *People*, *Us* or *Sports Illustrated* magazines.

The tax break for Quad/Graphics was among 156 tax cuts passed in New York the past six years. Armed with a strong economy and soaring profits on Wall Street, about 200 miles south of here, the state embarked on what officials claim is the longest, largest tax-cutting campaign in the nation. It's a concerted effort to change the state's reputation as overtaxed, overregulated and anti-business.

And slowly, it's having an impact. "Our plant doubled its size within two years of the repeal," says Richard Marsel, plant manager at Quad/Graphics. "New York now is the most tax-friendly state, as far as the printing business goes."

Because New York's combined state-local tax burden is the highest in the nation, its effort to slash taxes isn't surprising. Since 1995, it has cut income, business and sales taxes; even the beer tax was



By Tim Roske, AP, for USA TODAY

**Welcome breaks:** Richard Marsel, a plant manager at Quad/Graphics, says, "New York now is the most tax-friendly state." The company's tax break was among 156 tax cuts the state passed over the past six years.

slashed a nickel a gallon.

Not all of the state's 18.2 million residents have noticed. In the trendy shops and restaurants along Broadway here, just 30 miles north of the state capital, residents still feel overtaxed. "This is a good place to live, but the tax part has always been a problem for people," says David Bennett as he stacks newspapers at Saratoga News Stand.

And in the 1990s, tax cuts have come at a price.

Republican Gov. George Pataki gets credit for rejuvenating the business climate. However, critics say the state's \$37 billion debt, which requires annual payments of \$3.4 billion, is too high, its reserve funds too low and its higher education system needs aid.

The governor even takes a hit from those who say the tax cuts didn't go far enough. After two years of major reductions, including a cut in the top income tax rate, "New York went back to its high-spending ways" in 1997, says Brian Backstrom, vice president of the anti-tax group CHANGE-NY.

The state has taken pains to burnish its image. Historically, New York has put labor relations and environmental regulations ahead of business interests.

"It appeared that New York was in the position of, 'Let's milk business for everything we can get out of them,'" says Joseph Dalton, president of the Saratoga County Chamber of Commerce.

Pataki defeated Democratic Gov.

Mario Cuomo in 1994, just as the state was emerging from the last recession. Since then, he has staked his reputation on cutting taxes and making the state friendlier to business. The state has cut income and sales taxes every year since 1995; it has cut 19 different taxes 57 times, in 156 different ways.

"We have cut taxes by far more than any state in the country," Pataki says. "These tax cuts have turned around our economic climate. We are seeing economic growth at our fastest pace in 43 years."

The state now ranks 35th in percentage of income taxed, down from 22nd in 1990. The combined state and local tax burden, fueled by high school taxes, remains the highest in the nation.

### N.Y. taxes drop

New York state's tax collections per \$1,000 of personal income dropped from 1990 through 1998:

1990	
New York	\$70.80
U.S. average	\$65.12
1998	
New York	\$64.29
U.S. average	\$68.39

Source: Tax Foundation

By Alejandro Gonzalez, USA TODAY

This year, the state cut another \$1.3 billion. It slashed utility taxes and made college tuition deductible. New York also has begun to rebate some local property taxes that support schools — by far the greatest burden on the state's taxpayers.

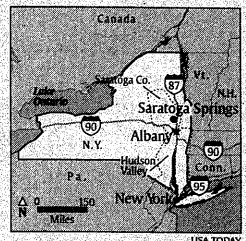
"We're now seeing the perception of the business climate in this state changing," says Kevin O'Connor, president of the Albany region's Center for Economic Growth, which united local government officials last month in a campaign to attract high-technology firms.

The benefits have rolled through the state gradually, beginning in New York City and moving north. Here in Upstate New York, private employment growth has been rising since 1997.

Last year, it exceeded the national average of 2.3%.

Among the signs of progress:

► In the Hudson Valley north of New York City, Philips Semiconductors announced last month that it would buy an IBM facility and invest \$100 million while retaining the 950-member workforce. Despite the tax burden, "we believe the area provides a business climate conducive to our growth in the years ahead," chief operations officer Stuart McIntosh says.



USA TODAY

► In the state capital region, Albany Molecular Research has grown from a private drug research and development company in 1991 to a \$44 million company listed on the NASDAQ stock exchange. It has 280 workers and 130,000 square feet of space. Company chairman Thomas D'Ambra considered Michigan for expansion until New York agreed to spend \$2 million.

► In Saratoga County, the local economic development corporation supports about 120 projects a year, up from 20 to 30 when times weren't so good. That creates 2,000 jobs a year, up from 300. The city's Downtown Business Association welcomed about 50 new members this year. "The boardrooms of those companies are now saying, 'Well, New York state is trying harder,'" says Kenneth Green, president of the corporation.

However, with progress come pitfalls. Liberals say the emphasis on tax-cutting has starved programs for the poor and middle-class. Local governments complain that the state has not come through with promised aid. And the highway between here and Albany is jammed at rush hour.

Traffic jams are "the kinds of problems that are associated with progress and prosperity," Saratoga Springs Mayor Ken Klotz says.

"We'd rather be booming than not. We're trying to manage it."