

1 BEFORE THE NEW YORK STATE SENATE FINANCE
AND ASSEMBLY WAYS AND MEANS COMMITTEES

2 -----

3 JOINT LEGISLATIVE HEARING

4 In the Matter of the
5 2015-2016 EXECUTIVE BUDGET ON
ECONOMIC DEVELOPMENT

6 -----

7 Hearing Room B
8 Legislative Office Building
Albany, New York

9 February 9, 2015
10 1:03 p.m.

11 PRESIDING:

12 Senator John A. DeFrancisco
Chair, Senate Finance Committee
13
14 Assemblyman Herman D. Farrell, Jr.
Chair, Assembly Ways & Means Committee

15 PRESENT:

16 Senator Liz Krueger
Senate Finance Committee (RM)
17
18 Assemblyman Robert Oaks
Assembly Ways & Means Committee (RM)
19
20 Assemblyman Robin Schiminger
Chair, Assembly Committee on Economic
Development, Job Creation, Commerce
and Industry
21
22 Assemblyman Fred W. Thiele
Chair, Assembly Committee on Small Business
23
24 Senator Elizabeth O' C. Little
Chair, Senate Committee on Cultural Affairs,
Tourism, Parks and Recreation

♀ 2

1 2015-2016 Executive Budget
Economic Development
2 2-9-15

3 PRESENT: (Continued)

4 Assemblywoman Ellen C. Jaffee
5 Senator Timothy Kennedy

- 6 Assemblyman William Colton
- 7 Assemblywoman Didi Barrett
- 8 Assemblywoman Michelle Solages
- 9 Assemblyman Andrew Garbarino
- 10 Senator Diane Savino
- 11 Assemblyman Raymond W. Walter
- 12 Senator Simcha Felder
- 13 Assemblyman Clifford W. Crouch
- 14 Assemblyman Al Stirpe
- 15 Assemblyman Charles Barron
- 16 Assemblyman David Weprin
- 17 Assemblywoman Rodneyse Bichotte
- 18 Assemblyman Joseph S. Saladi no
- 19 Assemblywoman Kimberly Jean-Pierre
- 20 Assemblyman Marc Butler
- 21 Assemblywoman Nicole Malliotakis
- 22 Assemblyman Steven F. McLaughlin
- 23
- 24

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1 2015-2016 Executive Budget
 2 Economic Development
 2-9-15

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1 CHAIRMAN DeFRANCISCO: All right, why

2 don't we get started.

3 Pursuant to the State Constitution and

4 Legislative Law, the fiscal committees of the

5 State Legislature are authorized to hold

6 hearings on the Executive Budget proposal.

7 Today's hearing will be limited -- or this

8 afternoon's hearing will be limited to a

9 discussion of the Governor's proposed budget

10 for economic development.

11 Following each presentation there will

12 be some time allowed for questions from the

13 chairs of the fiscal committees and the other

14 legislators.

15 As far as the Senate is concerned, I'm

16 John DeFrancisco. I'm present along with the

17 ranker on the committee, Senator Krueger, and

18 Senator Little. And more will be coming in
19 and out as we go forward.

20 CHAIRMAN FARRELL: I've been joined by
21 Assemblyman Schiminger, Assemblywoman Di di
22 Barrett, Assemblywoman Michaelle Solages,
23 Assemblyman Al Stirpe, and Mr. Wepri n.
24 And Mr. Oaks?

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1 ASSEMBLYMAN OAKS: Thank you. We're
2 also joined by Assemblyman Walter and
3 Assemblyman Garbarino.

4 CHAIRMAN DeFRANCISCO: And the first
5 witness is Kenneth Adams, commissioner of the
6 New York State Department of Economic
7 Development -- for about another week, I
8 think.

9 Whenever you're ready.

10 COMMISSIONER ADAMS: Thank you very
11 much.

12 Chairman DeFrancisco, Chairman
13 Farrell, and distinguished members of the
14 Senate and Assembly, good afternoon. I
15 appreciate the opportunity to appear before
16 you today to discuss Governor Cuomo's
17 2015-2016 Executive Budget for Empire State
18 Development, or ESD.

19 This year's budget continues the fiscal
20 responsibility the Governor's administration
21 has prioritized in years past while doubling
22 down on the strategies that are working to
23 help keep the New York economy growing.

24 Between cutting small business taxes,

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6

1 investing in our infrastructure, focusing on
2 Upstate New York's economic development like
3 never before, and linking higher education
4 and industry through START-UP NY, among other
5 initiatives, economic opportunity is being
6 restored and is growing for New Yorkers all
7 across the state.

8 The Governor recently outlined his
9 bold and comprehensive Opportunity Agenda.
10 And as part of his plan and the economic
11 development budget, the Governor announced
12 Round 5 of the Regional Economic Development
13 Council competition. This would include
14 \$150 million in new capital funding and
15 \$70 million in state tax credits to support
16 regional priority projects.

17 Since the Regional Councils were
18 launched, the state has awarded more than
19 \$2.9 billion in economic and community
20 development funding through the CFA and
21 Regional Council process. This has resulted
22 in commitments of 150,000 new or retained
23 jobs in New York.

24 In conjunction with the fifth round of

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7

1 the Regional Councils, the Governor has also
2 proposed launching a new, competitive
3 \$1.5 billion Upstate Revitalization Fund,
4 which will replicate the successful Buffalo

5 Billion initiative to help further upstate
6 New York's economic recovery. This is an
7 opportunity for our upstate regions to infuse
8 millions of dollars into their economies and
9 support projects that will strengthen
10 critical infrastructure, revitalize
11 communities, grow tourism, and bolster
12 workforce development region-wide.

13 START-UP NY encourages businesses to
14 take advantage of the research and
15 development, academic programming and job
16 training initiatives that are part of the
17 state's college campuses. To date, there are
18 73 businesses participating in START-UP NY,
19 representing commitments to create more than
20 2,400 new jobs and invest more than
21 \$104 million in our communities.

22 The Governor has also proposed
23 creating a tax-free START-UP NY zone at
24 Stewart International Airport in the

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1 Mid-Hudson region and at Republic Airport on
2 Long Island.

3 The New York State Innovation Venture
4 Capital Fund was established to provide
5 critical seed and early-stage funding to
6 incentivize new business growth in New York
7 State. The ESD Board recently approved
8 funding for the first three investment firms
9 upstate.

10 Governor Cuomo proposes expanding the

11 program and doubling the fund to
12 \$100 million. The additional funding would
13 complement the other significant innovation
14 initiatives undertaken by the Governor, and a
15 portion of investments will be in companies
16 that are associated with START-UP NY, the
17 Innovation Hot Spots program, and the
18 proposed Regional Economic Development
19 Cluster Program.

20 To continue our support of small
21 business, the Governor will host a small
22 business summit and create the NY Business
23 Express, a one-stop shop housed within ESD.
24 This, along with the appointment of a

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9

1 New York State Chief Small Business Officer,
2 will help cut red tape and make starting and
3 growing small businesses in New York State
4 easier.

5 ESD's Division of Minority and Women's
6 Business Development has also made important
7 improvements and announced this year a record
8 of more than 25 percent MWBE utilization
9 statewide. To build on this momentum, the
10 Governor increased the statewide goal to
11 30 percent, the highest of any state in the
12 country. The Executive Budget includes
13 funding to support new staff and other costs
14 to help meet this expanded MWBE participation
15 goal.

16 In this year's budget, the Governor

17 has included a \$45 million commitment for
18 initiatives to continue to grow the state's
19 tourism industry. In 2014, data shows the
20 number of visitors to New York is estimated
21 to have increased by 4 percent from 2013, the
22 prior year. This is projected to have
23 generated direct spending of \$62 billion,
24 producing an estimated \$7.8 billion in state

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1 and local taxes.

2 In addition, as the fourth-largest
3 employment sector in New York, the tourism
4 industry added 22,000 jobs, for an average of
5 852,000 jobs at this point, generating more
6 than \$18.5 billion in wages.

7 We're also looking to increase
8 promotion of our New York business
9 opportunities abroad. In the Executive
10 Budget, a new \$35 million Global New York
11 Development Program will encourage more
12 New York-based companies to export their
13 products and services to established and
14 emerging markets around the globe. Global
15 New York will provide grants and loans to
16 help small and medium-sized businesses
17 explore new exporting opportunities for
18 global expansion.

19 Another critical component of
20 connecting our region to these global
21 commerce activities and ensuring economic
22 sustainability for our state is the expansion

23 of broadband. Building on New York's previous
24 broadband commitments, this year the Governor

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1 calls for a \$1 billion investment --
2 \$500 million in the New NY Broadband Program
3 resources to incentivize and leverage
4 private-sector funding -- to ensure that
5 every New Yorker has access to high-speed
6 internet by 2019. Now, this would represent
7 the largest state investment in universal
8 high-speed broadband deployment in the
9 country.

10 In closing, it's been an exciting and
11 busy start to the new year, and ESD has a lot
12 of work ahead. The Governor's agenda builds
13 on the accomplishments we have made since
14 2011 to make New York State the place to do
15 business, and furthers ESD's mission to
16 promote a vigorous and growing state economy
17 and encourage business investment and job
18 creation.

19 We look forward to these new
20 opportunities and to working together with
21 you, our legislative partners, to move our
22 economy forward.

23 Thank you again for this opportunity
24 to testify this afternoon. I am happy to

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1 take your questions.

2 CHAIRMAN DeFRANCISCO: Thank you.

3 Senator Little.

4 SENATOR LITTLE: Thank you very much.

5 And thanks for being here, and thanks
6 for the work that you have done.

7 One of the things I did want to ask in
8 regard to the Governor's budget, you and the
9 Governor have been very interested and played
10 a big role in the Clarkson-Trudeau
11 partnership. Which for those who don't know,
12 Trudeau is a research center in Saranac Lake,
13 world-renowned, and Clarkson University is in
14 St. Lawrence County right nearby, and working
15 together.

16 However, I saw that the allocation
17 last year was \$10 million, and this year it's
18 down to \$5 million. Hopefully that was an
19 error.

20 COMMISSIONER ADAMS: Senator, our
21 commitment -- and you're absolutely right
22 about the Governor's commitment to the
23 Trudeau-Clarkson partnership. And it is a
24 multiyear \$35 million commitment. And what

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13

1 we have worked out with both Clarkson and
2 Trudeau is a multiyear payment plan. And
3 this year the \$5 million is the amount that's
4 needed. It will be followed up in subsequent
5 years to complete the whole program over
6 time.

7 SENATOR LITTLE: Okay. So it hasn't
8 affected the total amount at all.

9 COMMISSIONER ADAMS: No, it hasn't.
10 SENATOR LITTLE: All right, thank you.
11 And the second one is on the minority
12 and women-owned business thing. In your
13 remarks you talked about how we have -- the
14 statewide goal of 25 percent has been
15 achieved, and now we're looking towards a
16 30 percent. But that is a statewide goal.
17 And I have people who have been awarded,
18 through their Regional Economic Development
19 Council -- in Tupper Lake, the Wild Center,
20 they had an award and then they were told
21 that they had to have 23 percent minority and
22 women-owned business contracts -- 13 percent
23 had to be with minority companies and
24 10 percent had to be with women.

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14

1 And in Tupper Lake, it's very
2 difficult to find either of those, minority
3 and women-owned businesses; they had to go to
4 Syracuse. So whereas they are still doing
5 the project and all, their contractors have
6 to be from a much larger area.

7 So I think that's a concern that needs
8 to be addressed, that it's a goal -- it's not
9 a requirement, correct?

10 COMMISSIONER ADAMS: That's correct.
11 It is a goal.

12 And the good news is certainly that in
13 2011, at the beginning of the Governor's
14 first term, we were at about 11 percent MWBE

15 procurement statewide, and in this, you know,
16 short period of time we reached his goal, the
17 goal he proposed -- again, a goal, as you
18 say -- of 25 percent. And then he's raised
19 it again to 30.

20 But as you note, there are different
21 levels of what we call availability, you
22 know, of certified MWBE firms to bid on
23 contracts, depending on where you are in the
24 state. It's regional, it's economic. And

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15

1 the idea is to, on average, reach that goal
2 project by project, to do what we would call
3 a reasonable negotiation based on what is
4 available locally.

5 So I will look into that for you. But
6 you're absolutely right in your observation.

7 SENATOR LITTLE: Okay. And certainly,
8 you know, it's a good idea to encourage that
9 in order to achieve the goal everywhere in
10 the state. But I think that making it a
11 requirement makes it extremely difficult for
12 certain areas, especially my area.

13 So thank you very much. And again,
14 thanks for all you've done in your work with
15 ESD. Appreciate it.

16 COMMISSIONER ADAMS: Thank you,
17 Senator.

18 CHAIRMAN FARRELL: Thank you.

19 We've been joined by Mr. Thiele,
20 Ms. Jaffee, Mr. Barron, Ms. Bichotte.

21

And to speak, Mr. Schimminger.

22

CHAIRMAN DeFRANCISCO: And we've been

23

joined by Diane Savino.

24

ASSEMBLYMAN OAKS: And Nicole

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1

Malliotakis.

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ASSEMBLYMAN SCHIMMINGER: Thank you

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for calling upon me to speak, but I will ask

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questions too.

5

A long time ago, Commissioner Adams,

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our state's Department of Economic

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Development arrived at a system of

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10 different regions. And those 10 regions

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have endured into the future. Those

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10 different regions were used as the basis

11

for the Regional Economic Development

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Councils which were willed into existence by

13

the Governor.

14

The 10 regions are not equal in size

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or population or wealth, but they continue to

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be the basis for a lot of things which your

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agency does and which -- our initiatives that

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come from the Executive branch.

19

I come from a place, as you know,

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called Buffalo. And several years ago people

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in Buffalo and the surrounding area were very

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happy that the Governor determined to commit

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to a billion dollars for Buffalo. It was

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actually for the region, although most of it

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is going into Buffalo. And the process by

2 which he funded that billion was a multiyear
3 process. Smaller amount initially, smaller
4 amount later, third year, big amount, has
5 completed the budgeting of the billion.

6 Now there's a new program which you
7 referenced in your testimony which is being
8 proposed by the Governor which is the \$1.5
9 billion Upstate Revitalization Fund, which
10 you said will replicate the successful
11 Buffalo Billion program.

12 Let me start by asking this. The
13 Buffalo Billion program was a long time in
14 gestation and in development. Over a year, I
15 think, was spent by an out-of-town consultant
16 named McKinsey to develop a plan. The
17 \$1.5 billion Upstate Revitalization Fund
18 proposal will have a very, very, very short
19 time frame. I think the proposal would begin
20 to be implemented April 15th and the
21 submissions would be due two and a half
22 months later.

23 So do you feel that the competitors
24 will have enough time to develop as good a

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18

1 plan as the Buffalo folks developed over a
2 one-year-plus period?

3 COMMISSIONER ADAMS: You know, I think
4 they will because they're not starting from
5 zero, as we did in 2011 when we designed the
6 Regional Council initiative and even the
7 Buffalo Billion shortly thereafter. We were

8 starting, you know, right out of the gate, if
9 you will.

10 The seven regions that are now going
11 to be asked to compete in this proposed
12 Upstate Revitalization Fund, those seven
13 regions, those seven Regional Councils, have
14 plans that they've done going back to 2011.
15 Each one of the 10 regions did its long-term
16 economic development plan. And probably more
17 importantly, the members of those Regional
18 Councils have been working together for four
19 years. Some people have come on and, you
20 know, added more expertise, they've modified
21 their plans as needed, and they've had four
22 cycles of advancing priority projects and
23 thinking about their economic future.

24 Again, this is all for 10 regions, but

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19

1 thinking for a second about the seven that
2 will compete for the \$1.5 billion.

3 And so they're starting from a very
4 powerful base -- of knowledge, of plans, and
5 of work already done. Indeed, we'll have to
6 provide additional support so that they --
7 we'll use McKinsey, as you pointed out
8 earlier -- but technical support, so they can
9 do thoughtful plans. But there's a there
10 there. There's a body of work, and they have
11 their economic development directions pretty
12 well established.

13 So I think that's going to help them

14 prepare their responses that, as you say, are
15 due on July 1st. And again, as the proposal
16 outlines, three of those seven will emerge as
17 winners in the competition to receive an
18 allocation of \$500 million each. Again, an
19 allocation that's not spent in this fiscal
20 year per se. Just like the Buffalo Billion,
21 it can be laid out or paid out as the
22 projects require.

23 ASSEMBLYMAN SCHIMMINGER: When the
24 Governor came up with the billion dollars for

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1 Buffalo, that was based on something. I
2 think it was based on a perception of a need.
3 And I think it was also based upon seeing the
4 good work that was being done by Howard
5 Zemsky's and Satish Tripathy's Western
6 New York Regional Economic Development
7 Council. So he perceived something.

8 Might he not right now already be able
9 to perceive something going on in three of
10 the seven remaining upstate regions and
11 obviate the need for a contest?

12 COMMISSIONER ADAMS: Well, what we've
13 seen over the last four years in the Regional
14 Council system is that the competitive nature
15 of it does get people to put in extra time,
16 extra energy, extra thinking, and we get
17 really good projects, plans, as a result of
18 the competition. People step up because it's
19 competitive. And I think that lesson is

20 applied to the new competition here.

21 ASSEMBLYMAN SCHIMMINGER: Of the
22 10 regions, three of them are automatically
23 not going to compete -- Long Island, the City
24 of New York, and the Western region. Of the

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1 seven that will compete, the majority of
2 them, four, will end up being losers. There
3 are people in this hall right now from those
4 four regions; they don't know it yet, but
5 they're going to be in that category if this
6 competition goes forward.

7 Does it make more sense, perhaps, to
8 simply take what you know now, areas of
9 need -- which may not be consistent with the
10 boundaries of a region, but may be in a
11 particular place within a region -- and a
12 particular project that you know of now, and
13 move ahead with funding those deserving
14 transformational good projects sans, without,
15 a contest?

16 COMMISSIONER ADAMS: There's an
17 important balance between the new initiative
18 and the ongoing nature of the Regional
19 Councils themselves. Right? So the budget,
20 as I mentioned in my testimony, also proposes
21 a refunding at the current -- or last year's
22 level of the general annual Regional Council
23 competition through the CFA process. So
24 that's been about, let's say, \$700 million to

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1 \$750 million each year, a large portion of
2 which is the ESD resources you see here.

3 So the point is for the four
4 regions -- actually, for all 10, yes, a
5 subset will emerge in this Upstate
6 Revitalization Fund competition, but all will
7 have the access they've always had every year
8 to all of the support and resources for their
9 priority projects and for new projects in the
10 Regional Council system. So both are going
11 to happen.

12 And I think that balance should work
13 out. And it means that there will be
14 resources across the state.

15 ASSEMBLYMAN SCHIMMINGER: Let me shift
16 gears just for a moment.

17 CHAIRMAN FARRELL: The moment is up.

18 ASSEMBLYMAN SCHIMMINGER: The moment's
19 up. I'll come back later, then.

20 CHAIRMAN FARRELL: Senator?

21 CHAIRMAN DeFRANCISCO: Senator Savino.

22 SENATOR SAVINO: Thank you, Senator
23 DeFrancisco.

24 Good afternoon, Ken. Good to see you.

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1 I just want to ask you, there's a
2 piece in today's Crain's about START-UP NY.
3 And it talks about the success of the program
4 upstate and not so successful downstate, in
5 the city -- that out of the 73 companies that

6 are participating, only seven of them are
7 downstate. And it lists some of the --
8 obviously, it's expensive to do business in
9 New York City.

10 What can we do, though, to improve the
11 likelihood that companies who could be
12 interested in coming to New York City -- you
13 know, our new Silicon Alley -- how do we get
14 them there? What can we do to use START-UP
15 NY in a way that we're currently not doing?

16 COMMISSIONER ADAMS: It's a good
17 question. And I think that we're going to
18 see, you know, over time, more and more
19 companies in New York City, including Staten
20 Island, taking advantage of the program.

21 If you think about the seven that are
22 there now, they're all actually concentrated
23 BioBAT, at the Brooklyn Army Terminal, which
24 was an existing facility with a SUNY

♀ 24
1 affiliation -- SUNY Downstate -- and they
2 just -- out of the gate, they hit the ground
3 running. To their credit. And I mean, this
4 is a good thing. And there's seven companies
5 there.

6 We have some constraints -- some of
7 this is in the law, and we're working with
8 it -- around identifying locations in the
9 ever-challenging real estate market of
10 New York City. Land is very expensive. You
11 know, empty buildings these days are pretty

12 hard to come by if you're a school. So we
13 have to get over those constraints.

14 We do have good news in that we
15 recently certified space plans for Bronx
16 Community College, for York. Medgar Evers in
17 Brooklyn will be certified in the coming
18 weeks; they've got a great plan to do
19 something at the Navy Yard. So it has been
20 slower in the city. There are constraints on
21 the space. But the CUNY system is our
22 partner, and they're doing a good job, as are
23 the, you know, other intermediaries, economic
24 development groups that are helping us.

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1 So it has been slower. It represents
2 10 percent, the seven of the 73. And be
3 happy to work with you more on how to do
4 that. We've got to get the word out, and
5 we've got to work with those schools,
6 especially in the CUNY system, to recruit
7 more companies.

8 SENATOR SAVINO: I notice one of the
9 concerns about the tech industry -- I have a
10 girlfriend who makes a fortune as a network
11 engineer. I don't even -- she speaks like
12 computer language, I don't know what she's
13 talking about.

14 But her career has gone to company to
15 company to company. They raid -- I shouldn't
16 say the word "raid." But if you're talented
17 in this industry, people want to hire you.

18 And so you see professionals in the high-tech
19 industry who are moving and they have, you
20 know, multiple employers on their resume.
21 That seems to be a problem with Start-Up NY;
22 apparently you're not allowed to do that.
23 Is there a -- would we have to change
24 the law to allow for that kind of movement

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1 among some of these companies? Because I
2 think that's a deterrent to some of our tech
3 companies from participating in the program.
4 COMMISSIONER ADAMS: The control in
5 the law is that we can't give a break on
6 somebody's income taxes if they're already
7 paying those income taxes. It's really for a
8 net new job. And again, as the name
9 suggests, for start-ups.

10 So it would be tricky for your friend
11 to just go into a start-up company and have
12 her, you know, income tax liability go away.
13 The idea is that these are actually brand-new
14 companies hiring people for the first time,
15 many of them right out of school, for
16 example, who may not be taxpayers. Or that
17 they're companies coming in from out of
18 state. In fact, one of the companies at
19 BioBAT in Brooklyn is from California. They
20 make basically synthetic skin and leather and
21 things like that. Animal stuff. I mean,
22 they're a California firm, outside jobs
23 coming in.

24 So that's really the goal. In fact,

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1 the law prevents us, as it should, from
2 granting tax benefits for someone who might
3 be, quote, unquote, moving across the street.
4 It's for start-ups, new companies, new
5 investment. And the only type of job that
6 can receive the tax break is an absolutely,
7 as we call it, a net new job to the state.

8 SENATOR SAVINO: One other question on
9 the Regional Economic Development Councils.
10 You know, when we lost the ability to deliver
11 discretionary funding to our districts, it
12 was a problem for many of the organizations
13 that depended on, you know, discretionary
14 funding from members. Some of them obviously
15 would not be eligible for consideration by
16 the Regional Economic Development Councils,
17 but some of them are.

18 One of the frustrations I know I have,
19 and some of my colleagues do, is that we have
20 no idea what you guys are doing with these
21 Regional Economic Development Councils. We
22 don't know who's eligible, we don't know how
23 to advise groups in our communities that
24 potentially could be eligible what's the best

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1 way to put their best foot forward so they
2 can secure some of this funding.

3 So it's been a couple of years now,
4 and I've asked this more than once and I

5 still don't have a clear understanding of how
6 I should advise qualified organizations or
7 programs in my area, in either Staten Island
8 or South Brooklyn, as to how to access some
9 of this funding.

10 COMMISSIONER ADAMS: The best thing
11 that they can do is obviously contact us, our
12 ESD New York City office, any time,
13 even if -- the CFA deadline tends to be in
14 June, but hold off on that for a while -- and
15 let us work with them. This has come up, and
16 my staff and I work with organizations who
17 are trying to navigate the process.

18 What we will do this spring, we've
19 done it in the past, is hold public
20 workshops, in the city's case on CUNY
21 campuses, around the city in the spring that
22 are free, obviously, and open to the public,
23 where we walk you through the process. And
24 we've had some of those in the past that I've

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1 gone to, and there's pretty good attendance.
2 We've got to get the word out, need to work
3 with you, make sure your constituents, these
4 groups, know when we're doing those
5 workshops. And they can come and see the
6 whole CFA process and how it works.

7 We've also tried to make the
8 website -- you know, all this is an online
9 process. We get about 3,000 applications
10 every June when the deadline hits. We've

11 tried to make that more user-friendly. You
12 know, better help functions and search
13 functions. But it's not enough to direct
14 somebody to a website.

15 We'd be happy to work with any groups
16 in your district and see if they fit. Not
17 all of them may. Again, the -- what has
18 happened in this system is it's about
19 economic development. So if there are groups
20 that are working on, you know, supporting
21 private-sector investment, job training, job
22 creation, economic development, new jobs for
23 Staten Islanders, you know, we could try to
24 find a -- we would be obligated to find a way

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1 to get them into the system.

2 SENATOR SAVINO: Okay, thank you.

3 COMMISSIONER ADAMS: Thank you.

4 SENATOR KRUEGER: Assembly?

5 CHAIRMAN FARRELL: Thank you. We've
6 been joined by Kimberly Jean-Pierre.

7 And next to question, Assemblywoman
8 Bichotte.

9 SENATOR KRUEGER: We've also been
10 joined by Senator Simcha Felder.

11 ASSEMBLYMAN OAKS: And Assemblyman Joe
12 Saladino.

13 ASSEMBLYWOMAN BICHOTTE: Hello.
14 Hello, Commissioner, thank you for being here
15 today with us.

16 I have a question around the minority

17 and women-owned business enterprise. And I
18 have a few questions around that topic.

19 First, I'm fully aware that the
20 minority and women-owned business development
21 and the programs, what it does. It provides
22 financial and technical assistance to
23 minority and women-owned business enterprise.
24 And there's been a base funding level of

♀ 31

1 about \$635,000 for this program in the past.

2 We are fully aware that also,
3 historically, MWBEs have strived for
4 20 percent in terms of a goal, and now
5 there's an increase of that threshold to
6 30 percent. Okay? That's a very high
7 threshold. What is the approach, if any, of
8 the Empire State Development using in order
9 to increase the number of MWBEs by 30 percent
10 or higher? That's the first question. You
11 can answer that question first.

12 COMMISSIONER ADAMS: I'm sorry, can
13 you repeat the question, just the very end of
14 it?

15 ASSEMBLYWOMAN BICHOTTE: Sure. Sure.

16 COMMISSIONER ADAMS: I heard you --
17 you were talking about the 30 percent goal,
18 but I don't -- I'm sorry, I didn't understand
19 the question.

20 ASSEMBLYWOMAN BICHOTTE: Right. So my
21 question is, what is the approach that the
22 Empire State Development will use in order to

23 attain or reach that goal of 30 percent?
24 COMMISSIONER ADAMS: Great. Thank

♀ 32

1 you.
2 You know, the goal is a statewide goal
3 for all of the state agencies that are under
4 basically the umbrella of Executive Order
5 15A. There are 96 of them; ESD is but one.
6 But we have this core responsibility to
7 support all those 95 other state agencies in
8 their efforts to reach this goal so that at
9 the end of the day the average hits
10 30 percent or better.

11 And so we do three things. We do --
12 and this is how I'll answer your question.
13 We do the certification of firms as New York
14 State-certified MWBE firms. We certified
15 over a thousand new firms last year. We've
16 got more. This is an ongoing challenge to
17 get as many firms to participate and get
18 certified as we can. Then you have this
19 baseline of support that gets back to Senator
20 Little's question of making sure there are
21 actually enough firms to do the work all
22 across the state.

23 The second thing we do is what we'll
24 call kind of business development. It's not

♀ 33

1 enough to get a firm certified; that's kind
2 of like getting a license. If you're talking

3 about a car, it doesn't make a difference
4 right?

5 So once you get a firm certified,
6 you've got to get them work. We have an
7 e-alert system. They put their NYSCS codes
8 in a computer database. When a state agency
9 has a contract, they're automatically
10 notified of that availability. We have to
11 constantly make sure we're getting them all
12 the information about state procurements --
13 could be for commodities, services, goods --
14 across those 96 agencies. We want to be
15 blitzing whatever it is, their phone, their
16 laptop, their desktop every day with emails
17 saying here are opportunities, here are
18 contracts, are you interested in bidding on
19 them?

20 So that's the second part of what we
21 do. You've got to help people get the work,
22 get the procurements.

23 The third we call agency services.
24 We're the support function for all of those

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1 state agencies trying to reach this goal.
2 Some of them haven't, for whatever reason, in
3 the past been that successful at this type of
4 procurement. But you see, under the
5 Governor's Leadership, this is economic
6 development. I mean, these are, under the
7 law, small and mid-sized companies, privately
8 held, many of them start-ups, many of them

9 hi storically wi th di ffi cult access to these
10 opportuni ti es.

11 And so what we're doing is giving
12 them, for a period of time, access to these
13 state contracts -- over \$2 billion last
14 year -- so they can grow their businesses and
15 ultimately actually grow out of the system
16 when they become larger firms. So we do all
17 three of those things.

18 And to answer your question about next
19 year, to hit that goal we're going to have to
20 do all three of those things even more
21 intensely. Work with our sister agencies,
22 you know, our other agencies across the state
23 system; make sure certified firms are getting
24 access to contracts. We provide financial

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1 support and bonding support. We have a
2 surety bond assistance program so we can
3 provide surety bonds for people to get
4 construction contracts.

5 We have another new lending program
6 because a lot of small firms, when they get a
7 contract, have to go buy stuff -- and this is
8 true of any business, you know -- to actually
9 comply with the contract. Well, we can help
10 finance that now.

11 So we have a number of tools at our
12 disposal. And the Governor has also proposed
13 in the budget -- I didn't mention it in my
14 testimony -- but an increase in

15 administrative funding so we can do this
16 work. And we frankly need that support to
17 hire a few more people to catch up with the
18 certification and provide these firms with
19 the support they need.

20 ASSEMBLYWOMAN BICHOTTE: Thank you.
21 And I applaud the Governor and yourself for
22 recognizing that we do need more money to
23 administer this whole process.

24 But the issue is, and it has been for

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1 a very long time -- we have, it says,
2 eight-point -- 8,000 MWBE certified
3 businesses. How many of them are actually
4 getting jobs or contracts? That's the
5 problem. We need to see a level of
6 transparency behind that. What is the
7 demographic breakdown of that? You know, how
8 big are those companies? What regions are
9 they? Are they minority-owned, are they
10 women-owned, are they Asian-owned, whatever.

11 So I know you may not have the answer
12 now to these questions, but that's something
13 that would really help reach our goals in
14 identifying where's the gap. We need to know
15 how can -- we need to know how many of these
16 businesses are getting contracts. And if
17 it's only five that makes up the 20 percent,
18 we need to do work, a lot of work to get more
19 participation.

20 COMMISSIONER ADAMS: Yup. No, thank

21 you. There is a -- again, last year, over
22 \$2 billion of contracting. I'm not going to
23 say that's enough; I don't think the Governor
24 would either. But it's so much more than it

♀ 37

1 was four years ago. So we are making
2 progress.

3 We've also centralized a lot of
4 information you're speaking of, which is
5 really important, on a new central kind of
6 reporting system and database that we built
7 that's statewide, so we can get that
8 information for you. Be happy to do that.

9 ASSEMBLYWOMAN BICHOTTE: Okay. Thank
10 you very much.

11 COMMISSIONER ADAMS: Thank you.

12 CHAIRMAN FARRELL: Thank you.

13 Senator?

14 SENATOR KRUEGER: Good afternoon.

15 START-UP NY, there was a report due
16 the end of December. That's been delayed
17 until April 1st. But I believe that I heard
18 the Governor say 1900 jobs have been created
19 by START-UP NY so far. Can you confirm that
20 or tell me how many jobs have been created by
21 START-UP NY?

22 COMMISSIONER ADAMS: Twenty-four
23 hundred jobs have been committed to by the
24 73 companies that have been accepted into the

♀ 38

1 program. So it's a slight update from the

2 last numbers the Governor may have mentioned.
3 But it's 2400 jobs.

4 SENATOR KRUEGER: So 78 companies --

5 COMMISSIONER ADAMS: Seventy -- 73,
6 pardon me, 73 companies, 2400 jobs, and a
7 little over \$104 million of company
8 investment, of private investment.

9 SENATOR KRUEGER: And can you provide,
10 perhaps not this second, but can you provide
11 our committees lists of these companies?

12 COMMISSIONER ADAMS: Oh, absolutely.

13 SENATOR KRUEGER: So those are, again,
14 new companies operating within New York
15 State, new jobs.

16 COMMISSIONER ADAMS: The jobs, the
17 2400 jobs -- and it's a requirement of the
18 law, and we check it carefully -- are new
19 jobs. The companies, interestingly, fall
20 into several categories. So of the
21 73 companies accepted into the program, 16 --
22 11 plus 5 -- 16 are from out of state.
23 Eleven are from other states. We have
24 companies from California and Massachusetts

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1 and Connecticut that have come into the
2 program. Five are from overseas, a company
3 from Denmark and so on.

4 The other set of 37 are expansions of
5 existing companies, so that's a New York
6 State company that was going to expand its
7 operations, potentially elsewhere, outside

8 the state, but then decided instead to do its
9 expansion in partnership with one of our
10 schools in the program, 73 schools in the
11 program, and do it in one of these start-up
12 sites with a college.

13 So you have expansions and you have
14 companies coming in. And then of course you
15 have the actual start-ups themselves,
16 companies that are brand-new, as I mentioned
17 earlier, that roll out of the innovation, the
18 discovery, the science and technology of the
19 sponsoring school.

20 SENATOR KRUEGER: So that would be
21 approximately 17 brand-new. So you said 73;
22 37 are expansion of New York State; 16 came
23 in from out-of-state or out of the country.
24 So the remaining would be --

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1 COMMISSIONER ADAMS: Your math is
2 better than mine, Senator. But yeah, that's
3 about right.

4 SENATOR KRUEGER: The Governor
5 has proposed wanting to expand Start-Up NY to
6 other locations, or I believe airports. Have
7 we maxed out of the available space that was
8 in the original program?

9 COMMISSIONER ADAMS: We have -- in the
10 original program there was a provision for
11 underutilized state facilities, state-owned
12 property if a college or a university had the
13 need or had the programmatic kind of

14 connection to that space.

15 And in the case of Republic Airport,
16 near Farmingdale, and Stewart Airport, near
17 Kingston, both of those, it turns out, are
18 regional airports you're all familiar with,
19 but the land under those airports is owned by
20 State DOT. The Port Authority operates
21 Stewart Airport, but the dirt is State DOT.
22 Likewise, at Republic, that's actually
23 operated by State DOT.

24 And we are very interested in trying

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1 to attract more businesses related to
2 aviation and trade and the technology in
3 aviation and other airport-like and let's
4 call it logistics activities. It's a big
5 part of the state's economy to begin with,
6 and those were perceived to be, in effect,
7 underutilized assets.

8 There's a lot of land at Stewart that
9 is not fully utilized. There's an industrial
10 park there controlled locally which has empty
11 buildings, empty land. And likewise, at
12 Farmingdale it was perceived that there are
13 opportunities to have more economic
14 investment there. And we have colleges that
15 are, most importantly here, you know, in both
16 cases there are colleges and universities
17 that want to do this. And so we're reviewing
18 their applications to see how they would
19 connect their academic mission with aviation

20 and logistics and these other industries.

21 SENATOR KRUEGER: So 2400 jobs from
22 START-UP NY. And 2013 ESDC performance
23 measures, job data by region, all your other
24 programs in total in 2013 added up to -- I'm

♀ 42

1 just reading statistics here -- jobs created,
2 2,424.

3 So all the other programs which in the
4 previous year -- because I'm assuming that
5 2400 was for 2014?

6 COMMISSIONER ADAMS: Actually, no.

7 SENATOR KRUEGER: The START-UP NY
8 jobs.

9 COMMISSIONER ADAMS: No, I need to
10 here pause, if you'll let me --

11 SENATOR KRUEGER: Sure.

12 COMMISSIONER ADAMS: -- and maybe --
13 my sense is you may be looking at a report
14 issued by the Comptroller's office last week.
15 Because I'm familiar with those numbers that
16 you just cited, and I think that's where it
17 came from. And if that's correct, then let
18 me just sort of pause to talk about that.

19 Because I am concerned for all of us
20 this afternoon that there is some information
21 in the Comptroller's report that's misleading
22 and could, you know, make this discussion a
23 little more complicated.

24 The bottom line is the Comptroller's

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1 report that came out last week, which I
2 suspect most of you have seen, it's garnered
3 some press attention, is only a partial
4 picture of what we do at ESD. I'll explain
5 that in a second. But it means that the
6 report is -- basically, it's flawed. And
7 it's misleading because again, as a partial
8 view -- and actually they explain in their
9 notes it's not a report, it's a profile of an
10 agency based on the PARIS system.

11 Under the Authorities Budget Act, as
12 you know, there is a reporting requirement
13 that certain data go into PARIS, which is an
14 online system, Public Authorities Reporting
15 Information System. And so we do that, as we
16 are required to do. The problem is it only
17 picks up a portion of what we do as an
18 agency. And so again, the Comptroller's
19 report is based on limited, kind of partial
20 information, like the jobs data you cited.

21 I can give you all just -- to take
22 this issue, and if you don't mind, I'll just
23 give some examples of how this becomes
24 misleading.

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1 The report says we have 168
2 subsidiaries at ESD. I suspect you saw that,
3 Senator. I did too. I tripped over that
4 number, because we have 13. We reported on
5 them to the Senate, as we were required, in

6 December, under law, issued that report and
7 described our 13 subsidiaries.

8 The report says we have something like
9 \$10.4 billion in outstanding debt. Fully
10 \$7 billion of that debt was issued by prior
11 administrations. Sure, it's on our books as
12 a liability; it has to be.

13 But in other words, these things
14 aren't fully explained in the report. The
15 jobs issue that you raise, Senator, that
16 number does not include any of the jobs
17 created -- retained or created by any of our
18 tax credit programs. There's a little line
19 buried in the report -- which believe me, I
20 looked at over the weekend -- where they
21 appropriately admit that their limited view
22 does not consider any ESD activity related to
23 our tax credit programs. Well, our largest
24 economic development tools are tax credits.

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1 So the jobs that they have incentivized
2 aren't counted in the report.

3 So to wit, it's really 14,000 jobs in
4 2013 if you include created and retained.
5 That's what the report would suggest.

6 Just last year, 2014, we did 394
7 incentive offers to companies. This wouldn't
8 be in the report, but it's to give you an
9 example of how the data -- 2014, 394 projects
10 requiring the allocation of \$525 million,
11 mostly of the Excelsior tax credit, for the

12 retention and creation of 75,000 jobs.
13 Seventy-five thousand jobs. You have 14,000
14 jobs over here, 75 -- it depends how you
15 count it.

16 And again, this is the flaw in the
17 report. It's a partial view. It is akin to,
18 if you wanted to sort of judge the
19 performance of a car, looking in the trunk or
20 the glove compartment instead of under the
21 hood. It misses the story.

22 So with that in mind, again, I welcome
23 any questions about the report, but I just
24 apologize, it's hard to work off of it

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1 because it is misleading and only has that
2 partial picture.

3 SENATOR KRUEGER: I'll be having a
4 second round, but I would suggest -- I would
5 suggest that if you knew about the
6 Comptroller's report, it might have been
7 useful to put numbers in your testimony today
8 to give us your position on --

9 COMMISSIONER ADAMS: Well, thank you
10 for that. It, as you know, came out last
11 week, and it caught me by surprise. They did
12 not contact us, they just pulled the -- they
13 pulled the information out of a report and
14 printed a report. And had they contacted us,
15 we would have worked with them to get the
16 full story.

17 SENATOR KRUEGER: We have to keep

18 going.

19 Assembly?

20 CHAIRMAN FARRELL: Thank you.

21 Assemblyman Barron.

22 And we've been joined by Assemblyman

23 Colton.

24 ASSEMBLYMAN BARRON: Thank you.

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1 You know, I'm always concerned about
2 these Regional Economic Development Councils.
3 I don't appreciate the prior two Governors,
4 including this Governor, taking money from
5 the Assembly in terms of its member items and
6 then putting them in the guise of these
7 Economic Development Councils so he can
8 control the funding.

9 And the reason why I have major, major
10 concerns is because when I look at East
11 New York or Harlem or Bedford-Stuyvesant and
12 some of the communities that are economically
13 depressed and then we're always told we don't
14 have the capacity and we don't receive -- our
15 groups don't receive the technical assistance
16 to gain the capacity to apply for some of
17 these grants and this money.

18 So I'm always concerned and suspicious
19 when you can put money into a concept that
20 takes money away from a larger body who knows
21 the area, knows our districts. And I haven't
22 seen that money trickle down, not to my East
23 New York. And I'd like to see some kind of

24 listing, some kind of -- if you can send my

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1 office the information of how much of that
2 came to East New York, groups in East
3 New York, groups in Brownsville, in Harlem,
4 in Bedford-Stuyvesant, Crown Heights and East
5 Flatbush.

6 These groups suffer when they come up
7 with these new schemes. And sometimes
8 competitive schemes, sometimes not
9 competitive. But it's not trickling down to
10 the communities that are in the greatest of
11 need. And I'd just like some response to
12 that.

13 COMMISSIONER ADAMS: Thank you,
14 Assemblyman. You know, I certainly
15 understand your point and the observation.

16 I think we have tried, in the case of
17 the New York City Regional Council -- and I
18 don't expect this to satisfy you totally, but
19 just to try to respond. You know, in the
20 case of that council, they make a lot of the
21 decisions. ESD is the administrative body
22 that moves the money per their requests.

23 But what I have seen is at least a
24 concentration of or a direction to get the

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1 Regional Council project support out of the
2 New York City central business district, to
3 be sure -- in other words, not to do
4 Manhattan projects south of 96th Street, and

5 to do projects in Upper Manhattan, Harlem,
6 and then Staten Island, the Bronx, Queens and
7 Brooklyn.

8 Central Brooklyn, I'd have to check to
9 see how much we've done in the communities
10 you just described.

11 So (a) there is an effort to get the
12 resources, you know, to the boroughs beyond
13 Manhattan. And that's just their decision.

14 The other thing I would note, and it's
15 incumbent upon us to get you more information
16 about this, especially to share with your
17 constituents, is that beyond the Regional
18 Council system we have a whole lot of other
19 services at ESD around small business
20 assistance, entrepreneurship and access to
21 capital.

22 And because we happen, as I was
23 telling the Assemblywoman, to run MWBE
24 programs, we have some new loan funds, we

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1 even have an MWBE investment fund. It's
2 modest, but we have investment capital for
3 qualifying firms.

4 And one of the problems we have is
5 that if you take our \$50 million revolving
6 loan fund for small businesses, which is
7 fully subscribed, if you take a couple of our
8 other access to capital programs, they
9 actually are very effective tools. You know,
10 we run a network of 24 EAPs, or

11 Entrepreneurial Assistance Programs, and
12 those are based in community organizations.

13 Now, I'd have to check, and we might
14 be short and have to come up with some new
15 partners in the neighborhoods that you cited.
16 But my point is we do have a lot of
17 entrepreneurial support and small business
18 support. We don't do a good job promoting
19 it, and we need to get the word out. And we
20 need more people -- when people find out
21 about these programs, they knock on the door
22 and we can help them, and that's the good
23 thing.

24 But I take your comments very

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1 seriously and would certainly be open to
2 working with you and figuring out a couple of
3 organizations, for example, where we might be
4 {inaudible}.

5 ASSEMBLYMAN BARRON: Well, it's more
6 of a criticism than a comment, but I
7 appreciate your response and I hope that it
8 can really be attended to, because
9 communities are hurting. And we need to know
10 does -- who becomes a part of this Regional
11 Economic Development Council in our
12 particular area. And are they hand-picked,
13 or how does that happen?

14 And I would like to see a real
15 thorough report on that for those areas,
16 because I just don't see it trickling down to

17 my East New York, and I'm sure there's others
18 who can feel the same way.

19 On the minority and women-owned
20 businesses, you know, they always talk about
21 the percentage of the contracts. I always
22 like to know the percentage of the money we
23 receive. In New York we did a feasibility
24 study and we noticed that even when we get a

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1 larger number of contracts, the amount of
2 money -- let's say there's \$9 billion worth
3 of contracts. Even if we get a hundred more
4 than last year, we only get like \$100 million
5 of that \$9 billion.

6 So the contracts are much smaller, and
7 the white-owned businesses, particularly
8 white-men-owned businesses, get tremendously
9 huge amounts of money for the contracting.

10 Do you have any breakdown on how much
11 actual money the minority and women-owned
12 businesses are awarded when they receive
13 these contracts?

14 COMMISSIONER ADAMS: Well, the number
15 that I used before, which I believe is a
16 little over \$2 billion for last year, I mean,
17 it's a good increase from where we were. But
18 that's directly to the certified firms.

19 I think I know what you're talking
20 about. Sometimes there are situations where
21 there will be a firm that is serving as a
22 pass-through or that the MWBE isn't actually

23 getting the money.

24 ASSEMBLYMAN BARRON: Exactly.

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1 COMMISSIONER ADAMS: But no, this data
2 that we use, these are contracts awarded to
3 the certified firm. We know the name of the
4 firm, and there's no intermediary.

5 I'm not saying that other situation
6 doesn't happen. We have to police that, or
7 look for that carefully. But the actual
8 dollar value has increased significantly.

9 ASSEMBLYMAN BARRON: What's the total
10 amount of contracting the state does? That's
11 \$2 billion of what amount?

12 COMMISSIONER ADAMS: Of the overall
13 state procurement? I'm not sure. I'd have
14 to look at it. Yeah, that's a great -- it's
15 a fair question, Assemblyman.

16 ASSEMBLYMAN BARRON: I'd like to know
17 that, because then that will know whether
18 it's -- you know, when you say \$2 billion,
19 it's like wow.

20 COMMISSIONER ADAMS: Right. It's a
21 big increase, but what's the base.

22 ASSEMBLYMAN BARRON: Right.

23 COMMISSIONER ADAMS: Right, that's
24 fair. Yeah, thank you.

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1 ASSEMBLYMAN BARRON: Thank you.

2 CHAIRMAN FARRELL: Thank you.

3 Senator?

4 CHAIRMAN DeFRANCISCO: Mr. Adams, you
5 answered some questions about START-UP NY
6 with Senator Krueger. And I think you said
7 17 new businesses that are from out-of-state?

8 COMMISSIONER ADAMS: That's correct.

9 CHAIRMAN DeFRANCISCO: And how many
10 from in-state?

11 COMMISSIONER ADAMS: Well, there's 73
12 so far. Every week we have new applications,
13 but --

14 CHAIRMAN DeFRANCISCO: So the
15 difference is from in New York State?

16 COMMISSIONER ADAMS: The New York
17 State would be -- 73 is the total. Take out
18 16, you have 37 and 20. So 57.

19 CHAIRMAN DeFRANCISCO: All right. So
20 when this tax credit -- or not tax credit,
21 tax-free was first introduced, it was my
22 understanding that it was to attract people
23 from out of New York into New York. Is that
24 a -- was that a fair representation of what

♀ 55

1 the --

2 COMMISSIONER ADAMS: That is certainly
3 one of the goals, yes.

4 CHAIRMAN DeFRANCISCO: It's certainly
5 what?

6 COMMISSIONER ADAMS: It's one of the
7 goal s.

8 CHAIRMAN DeFRANCISCO: Well, when this

9 was being billed, I thought it was start up
10 in New York; it didn't seem to me it would be
11 a business who happens to be in New York that
12 goes on a college campus and starts another
13 company -- actually the same company, but is
14 expanding there.

15 Now, has that been done by the
16 in-state New York companies? Namely, an
17 existing company and it goes on a college
18 campus or some other state-owned property and
19 expands their business. Is that happening?

20 COMMISSIONER ADAMS: Again, the
21 breakdown of the current group that we have,
22 the largest single set are the start-ups
23 themselves. And so just to pause on that for
24 a moment, these are the --

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1 CHAIRMAN DeFRANCISCO: No, don't --
2 excuse me. I hate to interrupt you, but I
3 don't want to get off on a tangent. I'm
4 asking you right now in this program are
5 there any companies that were in existence in
6 the State of New York, expanded on a college
7 campus and that's where their new facility
8 is? Are there any companies that got
9 those --

10 COMMISSIONER ADAMS: Yes.

11 CHAIRMAN DeFRANCISCO: Okay. Now,
12 explain the logic behind that when we have
13 many, many existing companies in the State of
14 New York who are paying taxes, their

15 employees are paying taxes, that if that --
16 what does that bring to the State of New
17 York? If they're going to expand, can't you
18 give them benefits to expand at their
19 existing facility so at least they pay
20 property taxes or the jurisdiction they were
21 in doesn't lose the property tax base?

22 COMMISSIONER ADAMS: The answer is we
23 do -- you are right, in that we have our
24 existing Excelsior and other programs to

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1 support expansions when it's required. But
2 there are situations that of this -- and this
3 is 20 of these companies, of 73, were already
4 existing companies in New York State, you are
5 correct. But when they -- they were
6 considering an expansion. The risk was that
7 they would add that new line, that new
8 function, that new service at a facility
9 out-of-state.

10 And so we can say to them at this
11 point: Well, we'd rather have you make those
12 investments, do that expansion, create those
13 jobs in New York, and you can do it
14 through -- if it's appropriate, because you
15 really need a university partner and you want
16 to do something on a school campus, you can
17 go the start-up route. Or you could
18 potentially be eligible for our Excelsior tax
19 credit program.

20 So we give them a choice. The goal is

21 to capture the investment and to have those
22 jobs stay here.

23 CHAIRMAN DeFRANCISCO: Well, isn't
24 that the whole point of economic development,

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1 that you give benefits so people will retain
2 jobs in our state? Isn't that the whole
3 point of all economic development projects?

4 And explain to me what's the logic why
5 anyone would take Excelsior benefits only,
6 and that's their incentive -- some have done
7 that to stay here -- and then all of a sudden
8 there's a new program? Boy, were we stupid,
9 we could have moved on a college campus
10 rather than expanded here, no income taxes,
11 no property taxes for 10 years, and our
12 employees get the benefit as well.

13 COMMISSIONER ADAMS: Well, two things.
14 One, of course, is the existing facility --
15 we're talking about expansions where the
16 existing facility stays where it is, in
17 whatever jurisdiction it is, and it's still a
18 New York State taxpayer. It's just the
19 expansion, the new business, that may move
20 into the district.

21 But you know, what happens is -- you
22 know, I certainly understand your question
23 and I think it's important that we have a
24 variety of tools, whether it's Excelsior or

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1 START-UP, to keep the jobs and keep the

2 investments here. But there is a difference.

3 You know, first of all, you can't have
4 both. And there are companies that for
5 financial reasons, if they have a very big
6 capital investment, like building a new
7 factory, buying a lot of equipment, Excelsior
8 is a better benefit.

9 There are also small -- a lot of these
10 are tech companies, almost all of them. And
11 small tech companies don't have much of a
12 New York State income tax liability, so the
13 benefit is not as attractive as an investment
14 tax credit, for example. So we take it case
15 by case.

16 CHAIRMAN DeFRANCISCO: Do we advertise
17 this program in the State of New York?

18 COMMISSIONER ADAMS: Do we advertise
19 it in the state?

20 CHAIRMAN DeFRANCISCO: Yeah.

21 COMMISSIONER ADAMS: Yes.

22 CHAIRMAN DeFRANCISCO: And do we
23 advertise it out of the state?

24 COMMISSIONER ADAMS: We do.

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1 CHAIRMAN DeFRANCISCO: How much was
2 the total advertising budget for last year?

3 COMMISSIONER ADAMS: The -- in 2014,
4 and I saw this; actually, I know it was
5 reported in Crain's today, we spent something
6 like \$24 million on START-UP advertising.
7 There may be some additional spending later

8 in the year which I don't have yet. But
9 that's been reported.

10 CHAIRMAN DeFRANCISCO: Twenty-four
11 million. And what did you project -- based
12 upon the promised jobs, do you project how
13 much lost revenue there will be in the State
14 of New York for giving 10 years free taxes
15 for every employee? Do you have any
16 estimated number?

17 COMMISSIONER ADAMS: DOB, when -- the
18 program has been in law for 14 months now.
19 It started January 1st last year. And last
20 year I recall DOB did a projection, you know,
21 a conservative projection about what this
22 could cost in tax expenditures to the state.

23 I can get that figure for you. I
24 don't recall what it is. Remember, it's a

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1 10-year -- it's over the life of the program.

2 CHAIRMAN DeFRANCISCO: Yeah. But I'm
3 not talking about tax expenditures, I'm
4 talking about how much income tax savings
5 the -- say you're creating 50 jobs on a
6 college campus that used to be over 10 miles
7 away, in another place, paying property
8 taxes. So you move over to the college
9 campus, 50 employees are there in the new
10 expansion, and they don't have to pay income
11 taxes.

12 You can get an idea as to what the
13 average wage is, right, and estimate what the

14 taxes would be, right --

15 COMMISSIONER ADAMS: Right.

16 CHAIRMAN DeFRANCISCO: -- in order to
17 determine the effectiveness of the program.
18 Has that been done?

19 COMMISSIONER ADAMS: Again, DOB has
20 done projections. And yes, we can look at
21 that. But the -- you know, again, the
22 general view is most of these companies -- so
23 20 out of 73 were existing New York State
24 employers. The others were not. So 37, the

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1 largest group, are companies that didn't
2 exist before. And that's the core of this
3 too, right? Like it says, START-UP NY.

4 So those are legitimate start-ups
5 hatched by these various universities that
6 sponsored them. And in many cases, as we
7 know, unfortunately, historically, those
8 companies would have left. Our IP, our
9 innovation, our invention ends up in
10 San Diego or Austin, Texas, or Massachusetts
11 or -- so this is a way to capture it on these
12 campuses. So that, so far, is working.

13 CHAIRMAN DeFRANCISCO: Okay, I don't
14 have any more time at this point. But you're
15 going to give everybody a list of the nature
16 of the -- the name and nature of the
17 companies that are participating in
18 START-UP NY?

19 COMMISSIONER ADAMS: Yes. Be pleased

20 to do that.

21 CHAIRMAN DeFRANCISCO: Okay. Thank

22 you.

23 CHAIRMAN FARRELL: Assemblyman Weprin.

24 ASSEMBLYMAN WEPRIIN: Thank you,

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1 Mr. Chairman.

2 Good afternoon, Mr. Adams. I enjoy
3 having worked with you in many different
4 capacities over your career, particularly
5 when you were doing economic development in
6 Brooklyn and I was in the New York City
7 Council. And I know you're closing your
8 tenure in this position and going on to a
9 different position at Taxation, hopefully. I
10 assume you have to be confirmed, is that --

11 COMMISSIONER ADAMS: That's correct.

12 ASSEMBLYMAN WEPRIIN: But I want to
13 praise the efforts that you've done.

14 You had testified in your testimony
15 about the New NY Broadband Fund and the
16 billion-dollar investment. And I think
17 there's an additional \$500 million in this
18 current Executive Budget for that. And then
19 you talk about the private-sector leveraging.

20 Can you kind of walk us through how
21 that works? And is it like a PP3? How
22 would, you know, the leverage aspect with the
23 additional \$500 million potentially work?
24 And how would somebody apply for that, what

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1 would be the process, et cetera?

2 COMMISSIONER ADAMS: Thank you,
3 Assemblyman. And thanks for your kind words.

4 I would describe it this way. There's
5 \$500 million proposed in the Executive Budget
6 for this broadband initiative. That funding
7 is proposed to come from some of the
8 settlement funds, and it's supposed to be
9 matched one to one, so by another, over time,
10 \$500 million by private companies that do
11 broadband deployment.

12 This follows the model we've been
13 using since the beginning of the first term
14 where we work with the carriers to deliver
15 high-speed broadband to areas where it's
16 frankly uneconomic for them because it's far
17 away or there are not enough people, not
18 enough users, and they need, again, kind of
19 support or an incentive to do what -- we call
20 it the last mile, but to go the distance.

21 The other thing we're going to do with
22 this program is make sure we're talking about
23 high-speed broadband, speeds of 100 megabytes
24 per second and up, not just broadband.

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1 So it's expensive to do this, but it's
2 vital infrastructure. I think the Governor
3 has kind of called it the interstate highway
4 system of the 21st century. Remember, this
5 will get high-speed broadband to rural

6 healthcare facilities, to inner-city housing
7 developments where remarkably, in New York
8 City, there's still a lack of broadband, to
9 educational institutions, community partners,
10 and of course individuals, homes and
11 businesses.

12 There are about a million people in
13 New York State who still don't have access to
14 broadband. But that's how it will work, a
15 public-private partnership where we'll do
16 RFPs with the carriers, they'll compete, but
17 they'll have to match the funds.

18 ASSEMBLYMAN WEPRI: Okay. And then
19 just going back to the Economic Development
20 Council, I think it's been a very successful
21 program. The complaint I guess from someone
22 representing a district in Queens is that
23 there really hasn't been enough emphasis
24 percentage-wise in New York City for that

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1 particular program, other than the CUNY
2 component. And I attended a number of
3 meetings at York College of that component.

4 Can you give us kind of a percentage
5 breakdown of the overall program, you know,
6 the \$2.35 billion? How much of that went to
7 New York City? And I'm assuming it's a much
8 smaller percentage.

9 And the second part of my question is,
10 how can we get that percentage up?

11 COMMISSIONER ADAMS: You know, each

12 year, if you have -- we've had roughly
13 \$720 million, \$740 million in the CFA
14 process. And so, you know, 10 regions all
15 competing for funds means you get, region to
16 region, anywhere from, oh, you know,
17 \$250 million, \$300 million, \$325 million. It
18 depends on the region and on the competition.

19 It is true that New York City has
20 received less. And it has concentrated on
21 some significant projects in and around the
22 city. Our new borough president, Melinda
23 Katz, has made this point about Queens quite
24 clear to me, you should know, as have other

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1 members of the delegation from Queens. And
2 so we're always looking for good Queens
3 projects to support.

4 And I think the answer, you know,
5 Carol Conslato and some of the members from
6 Queens that are on the Regional Council --
7 you know, it is competitive. And the answer
8 is -- and again, my ESD staff is very open to
9 this -- we need to work with the volunteers
10 on the New York City Regional Council and
11 make sure that this year, moving forward in
12 2015, they identify excellent projects that
13 are worthy of funding and can compete with
14 the other programs around the state.

15 So every year we're going to take a --
16 we'll take another run at that this year. I
17 think there's some good projects, and I think

18 some are emerging in Queens, some new
19 technology projects and a host of things.
20 You mentioned York Community College; that's
21 the site of a new START-UP zone, and I think
22 we've got some opportunities there as well.

23 ASSEMBLYMAN WEPRI N: Right. And I
24 assume even if you're in your new capacity,

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1 we can rely on you as a resource to help out
2 in those efforts?

3 COMMISSIONER ADAMS: Absolutely. You
4 know, should the Senate confirm my
5 appointment, I hope to work with all of you
6 in that new capacity. Remember that to a
7 great degree, Tax and Finance is a sister
8 agency to ESDC because the ESDC tax credit
9 programs all run through Tax and Finance. So
10 I would look forward -- given the
11 opportunity, I'd look forward to working with
12 you, for sure.

13 ASSEMBLYMAN WEPRI N: Thank you,
14 Mr. Adams.

15 Thank you, Mr. Chairman.

16 ASSEMBLYMAN OAKS: Assemblyman Walter.

17 ASSEMBLYMAN WALTER: One of the big
18 selling points on the Regional Economic
19 Development Councils is the bottom-up
20 approach to local decision-making. But in
21 the Governor's proposed budget, there's
22 requirements that he's putting on IDAs that
23 would actually result in surrender of

24 considerable control of local economic

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1 development to the state, it will shift local
2 decision-making actually to ESD and to
3 Taxation and Finance.

4 How does that compare with the idea of
5 having local control?

6 COMMISSIONER ADAMS: Well, this is one
7 of the areas where we really want to increase
8 accountability and transparency for
9 everybody, something we talk about all the
10 time.

11 And the concept here, as you know, is
12 that when an IDA is doing a project and wants
13 to confer the state portion of the sales tax
14 as a benefit, the IDA should check in with
15 state government because it is conferring a
16 state resource. And administratively, the
17 way to do that, as proposed, would be to have
18 the IDA communicate with ESD about what they
19 propose to do and why -- what the project is
20 for which they're going to give up the state
21 portion of the sales tax.

22 We think that's reasonable. And
23 again, it gets to this idea of accountability
24 to the taxpayers, transparency and

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1 efficiency.

2 Now, administratively, the good news
3 here -- as I've spoken about this to Brian
4 McMahon and others at IDAs -- is that we

5 already work, at ESD, so closely with IDAs
6 all around the state, I mean close personal
7 relationships staff to staff, we believe we
8 can turn around these decisions very quickly
9 and not slow down -- we don't want to get in
10 the way of the IDAs' success at the local
11 level.

12 So we're committed to working very
13 quickly and efficiently in turning around
14 those requests and approving them when we
15 can. And if we have to hold them up and ask
16 questions, we'll do that too. But that's how
17 it would work.

18 ASSEMBLYMAN WALTER: But those
19 decisions then will be made in Albany and not
20 locally.

21 COMMISSIONER ADAMS: Well, the IDA
22 would make all the other decisions with
23 respect to property tax, PILOTs and the
24 county portion of the sales tax, typically

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1 benefits they confer in these projects. It's
2 simply coming to us for a quick check on
3 what's the project and does the state agree
4 that it is appropriate to authorize them to
5 confer the state portion of the sales tax,
6 the 4 percent.

7 ASSEMBLYMAN WALTER: So you're only
8 signing off on the state portion of the sales
9 tax?

10 COMMISSIONER ADAMS: As I understand

11 it at this time, Assemblyman, yes, that
12 that's the control we would have.

13 ASSEMBLYMAN WALTER: Okay. Not having
14 veto authority over the project itself.

15 COMMISSIONER ADAMS: Well, I don't
16 believe we would have veto authority over the
17 project itself. We might withhold the state
18 portion of the sales tax if we thought it was
19 not an appropriate use of the funds.

20 Again, as I understand the proposal
21 today.

22 ASSEMBLYMAN WALTER: It's my
23 understanding -- we talk about IDAs and
24 transparency. According to the State

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1 Comptroller's report -- not the most recent
2 report that you referenced before, but the
3 recent annual report on IDAs, IDAs are
4 assisting about 4600 active projects, created
5 112,000 new jobs, with total investment
6 exceeding \$78 billion. Average cost per job,
7 slightly more than \$2500.

8 How does ESD compare with their cost
9 per job?

10 COMMISSIONER ADAMS: It depends on the
11 program. Those are good numbers. And
12 IDAs -- we have -- our Excelsior program is
13 about \$7,000 per job, for example. So their
14 number is lower. But both of those are
15 really very economic compared to other
16 states.

17 Again, we work very closely with IDAs.
18 And I'm glad you framed this by referring to
19 the Regional Councils. You know, the
20 Regional Council system, all 10 regions,
21 depend on partnerships with local IDAs. And
22 again, our ESD staff works very closely with
23 New York City EDC, Brian McMahon's
24 organization, and his members. We learn a

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1 lot from them, we try to run our programs in
2 conjunction with them, and work closely on
3 the ground through the Regional Councils and
4 through our -- you know, we have 10 regional
5 offices that work very closely with IDAs all
6 across the state.

7 ASSEMBLYMAN WALTER: Thank you.

8 CHAIRMAN FARRELL: Thank you.

9 Senator?

10 CHAIRMAN DeFRANCISCO: Senator
11 Kennedy.

12 SENATOR KENNEDY: Thank you very much.

13 First of all, congratulations on your
14 appointment once again. And once again,
15 thank you for everything that you've been
16 doing on behalf of our state in economic
17 development as well as out in Western
18 New York, where we've seen a resurgence and
19 some great momentum, in large part because of
20 your work. And I appreciate it very much,
21 and our community does as well.

22 One of the driving forces behind this

23 resurgence in Western New York is the
24 relationship between higher education and

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1 economic development. Can you talk a little
2 bit about higher education working
3 hand-in-hand with the Regional Councils, how
4 we've helped to turn Buffalo around using
5 that model? And if you could discuss some of
6 the budgetary items this year that will
7 encourage communities across the state to use
8 this same model.

9 COMMISSIONER ADAMS: Yes, thank you,
10 Senator. And Buffalo is indeed a good
11 example for looking at the effectiveness of
12 these higher education partnerships.

13 Broadly, I'd say first that when the
14 Governor took office and we began this work
15 in the first term, he made it clear that the
16 state had an underutilized economic
17 development asset, and really a glaring
18 omission, if you will, which was the higher
19 education system we have in the state, which
20 is just a unique foundation for economic
21 development. Sixty-five SUNY campuses, 29
22 CUNY campuses, 150-plus-or-minus private
23 independent colleges and universities. No
24 other state has such an array of excellent

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1 institutions, from two-year community
2 colleges to UB, for example, in your

3 district, that offer such a literally and
4 geographically -- because of their geographic
5 distribution, especially in the SUNY
6 system -- a foundation to rebuild an economy.
7 This is especially true for upstate.

8 So there are a number of initiatives
9 that play off this very simple and important
10 idea, that we have this foundation of
11 institutions and they should help drive local
12 economic development.

13 To wit, in the Regional Council
14 system, each one of our 10 regions has a
15 cochair, a business leader, and a local
16 higher education leader. Top down, involved
17 with, you know -- the START-UP NY program
18 we've been discussing this afternoon wouldn't
19 exist if it weren't for the fact that we've
20 got this network of schools that are doing
21 great research, that are supporting
22 technology, and that were exporting young
23 people, they were exporting IP, they were
24 exporting innovation until we came up with a

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1 way to capture that with these tax-free zones
2 on college campuses.

3 And to your point, in the case of
4 UB -- and I'd add Damon and a host of other
5 schools in the region -- a great incubator,
6 for example, in Dunkirk or at SUNY
7 Fredonia and so on -- we've seen just a
8 tremendous amount of enthusiasm from the

9 schools -- students, faculty, administrators,
10 researchers -- to take advantage of these
11 various programs.

12 If you think about the -- again, just
13 to speak to your district, the impact over
14 time of a \$110 million investment in the
15 New York Genome Center and in that project --
16 I know you're familiar with it. But, you
17 know, that's something that was anchored in
18 New York City, 14 leading biomedical research
19 institutions coming together to share
20 technology around genomic research, the most
21 cutting-edge medical research going on in the
22 world. And the Governor said, you know,
23 that's good that you're in New York City;
24 partner with UB and let's do all the data and

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1 the information management and the analytics
2 at this facility at UB.

3 Bridging that gap, bringing that
4 together, \$110 million split between the city
5 and Buffalo. The examples are -- you know,
6 again, through START-UP, through NYSTAR, all
7 of our programs, the Centers for Excellence,
8 Centers for Advanced Technology, all across
9 the state, any time we can leverage colleges
10 and universities to say attract investment
11 and create jobs in those local communities,
12 we're going to do it.

13 And so there is a menu now of
14 opportunities. You know, you've been very

15 helpful, all of you have in different ways of
16 helping us to make sure at ESD, you know, we
17 partner with the right schools. But it's a
18 sure-fire formula for economic recovery in
19 New York, and it's paying great dividends.

20 SENATOR KENNEDY: Thank you.

21 CHAIRMAN FARRELL: Thank you.

22 Assemblyman Garbarino.

23 ASSEMBLYMAN GARBARINO: Thank you,

24 Chairman.

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1 I just wanted to follow up on some
2 START-UP NY stuff that was already testified
3 to. Currently, college campuses don't have
4 to be public universities or they don't have
5 to be on state property for START-UP NY to
6 apply, correct, or to apply to participate in
7 START-UP NY?

8 COMMISSIONER ADAMS: That's correct.

9 In other words, most of the space is -- you
10 know, we have -- 63 of our 73 schools in the
11 program are SUNY schools, I believe. So in
12 most cases it is public property, because
13 it's a SUNY campus that has empty space or
14 empty buildings. But there are ways to get
15 additional space if your campus doesn't have
16 space. But that's the common approach.

17 ASSEMBLYMAN GARBARINO: But a private
18 university could apply to be a part of
19 START-UP NY?

20 COMMISSIONER ADAMS: Yes. Yes.

21 ASSEMBLYMAN GARBARINO: Okay. So with
22 this expansion to airports, why is it now
23 limited to just state-owned property,
24 airports like Republic or Stewart?

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1 COMMISSIONER ADAMS: Well, in the
2 original START-UP legislation there was a
3 provision for state facilities, thinking of
4 other state properties that OGS had. Or, you
5 know, for example, we've done some prison
6 closures. We do have state assets. And the
7 idea was if a school had constraints, public
8 or private, you know, didn't have enough
9 space and wanted to use some space that the
10 state owns, perhaps that might work. They'd
11 have to apply and get it certified.

12 And so in the case of these airports,
13 the interesting thing is, yes, it's
14 state-owned. There is abundant space
15 available, especially in the case of Stewart.
16 And there is already some economic activity.

17 So do we have colleges and
18 universities that want to take advantage of
19 that and promote more of that economic
20 activity? And honestly, it's up to those
21 schools.

22 ASSEMBLYMAN WALTER: Well, what
23 concerns me is, you know, five minutes from
24 my house on Long Island and 20 minutes from

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1 Republic Airport is Long Island MacArthur

2 Airport, which is a very good big airport on
3 Long Island that's actually struggling.

4 Now, what would stop us from -- what
5 would stop the state from wanting to help --
6 that airport has plenty of open space. What
7 would stop the state from wanting to help
8 schools that want to do something there?

9 COMMISSIONER ADAMS: You know, I'd
10 have to look at the -- I don't know if the
11 state owns the land under MacArthur Airport.

12 ASSEMBLYMAN GARBARINO: I believe
13 it's -- the Town of Islip, I believe, owns
14 it.

15 COMMISSIONER ADAMS: Right, it's the
16 town.

17 ASSEMBLYMAN GARBARINO: But I mean
18 still, just because the town owns it, we
19 should say, you know what, let's not let them
20 apply?

21 COMMISSIONER ADAMS: You know, I
22 guess -- I don't know enough about it, but
23 happy to work with you on it.

24 What I would say is if MacArthur and

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1 if in the Town of Islip they're interested in
2 leveraging some of their privately owned
3 space, we don't have to go the START-UP
4 route. We have other ESD programs that we
5 might be able to use to help them. In other
6 words, if START-UP didn't work, right?

7 ASSEMBLYMAN GARBARINO: Okay. But it

8 seems like the big, you know, push from this
9 administration is START-UP NY. That's all
10 the commercials, that's all they say.

11 So, you know, I don't know why we
12 would have MacArthur competing -- you know,
13 the idea behind START-UP NY was we wouldn't
14 have businesses competing with similar
15 business already around. So why would we
16 have Republic Airport competing with
17 MacArthur Airport? We'd be giving them a leg
18 up.

19 COMMISSIONER ADAMS: Well, it isn't --
20 you know, I would suggest that it isn't
21 actually sort of the competition you
22 typically think about in business. Because
23 remember, there's a control in the law that
24 says if a business at MacArthur wanted to

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1 move down the road and go to Republic into
2 some tax-free zone, it would frankly be quite
3 hard for them to do that.

4 A couple of things would have to
5 happen. It would have to be a -- basically,
6 they'd be creating a new -- like an
7 expansion, as we described before. So they
8 wouldn't be moving their business, maybe
9 they're creating a new business, a
10 subsidiary, a new company -- all new
11 investment, all new jobs. Maybe that works.

12 But there's one last check that's
13 really important here. Whenever a school

14 is -- because the schools bring the
15 businesses to us, right? And the process
16 requires that the school does a notification
17 of businesses in the area. So Republic would
18 have to notify all the businesses in the
19 area.

20 And the question is, is the business
21 that the school is bringing in -- in that
22 case it's Farmingdale. Molloy, I think, is
23 working there. So let's say Molloy says
24 that, We want to bring in this business. Is

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1 there any local competitor that would object?
2 If a business at Republic says, Yeah, I
3 object because that business from MacArthur,
4 that's what I do, airplane fuel, then the
5 commissioner denies their -- it comes to me,
6 and we deny it. It's a control against
7 competition that's built into the law.

8 And interestingly, already some
9 businesses have thought about going to
10 START-UP and said, Oh, I'll never get
11 approved because the competitor over there
12 won't let me in. And that's correct. That's
13 a control in the law, that the local
14 businesses get to say don't give him or her
15 tax-free benefits, that would be unfair
16 competition. And then the school can't
17 advance the application, stopping the --

18 ASSEMBLYMAN GARBARINO: That's local
19 businesses at Republic, is what you're

20 saying. Like Republic, the businesses there
21 could stop another one from coming in.

22 COMMISSIONER ADAMS: Right.

23 ASSEMBLYMAN GARBARINO: But I'm
24 worried about businesses at MacArthur, which

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1 you said yourself would be a tough lift for
2 somebody to go over. But it seems, based on
3 your testimony there, a lot of the new
4 businesses that are under START-UP NY have
5 been expansions from, you know, businesses
6 already going.

7 So I'm worried about people leaving
8 MacArthur and going over to Republic or
9 people saying, You know what, let's start
10 this competing business at Republic and, you
11 know, all of a sudden I have a new private
12 airline at Republic and --

13 COMMISSIONER ADAMS: And not at
14 MacArthur.

15 ASSEMBLYMAN GARBARINO: -- then my one
16 at MacArthur goes down because they could get
17 this --

18 COMMISSIONER ADAMS: It would have to
19 be a completely new business with new jobs
20 and new investment. And, you know, to some
21 degree let's remember, on Long Island, I mean
22 all over the state, we need that. You know,
23 we need new jobs and we need new investment.
24 And sometimes there might be a rub. I'd hope

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1 we could work with those companies and, you
2 know, work with, in that case, MacArthur and
3 find ways to help them. But at the end of
4 the day, the goal here is basic. It's jobs,
5 jobs, jobs. We have START-UP and we have
6 Regional Councils and we have these other
7 programs -- Excelsior, as I mentioned. you
8 know, and all of this is, in the end -- at
9 least, you know, as of last year, we're down
10 to 5.7 percent unemployment in New York
11 State. Five hundred and four thousand new
12 private-sector jobs created. I mean, things
13 are going in the right direction. We're not
14 there yet, but these programs are helping.

15 ASSEMBLYMAN GARBARINO: I'm not
16 saying, you know, stop this new expansion.
17 I'm just saying maybe we could also include
18 other airports. I mean, you know, it doesn't
19 have to be just state-owned, because I think
20 then you're going to cause a problem, you'll
21 have these other people competing. If it's
22 open anywhere, then you let at least the
23 person decide where they want to go, where it
24 best can fit their business.

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1 COMMISSIONER ADAMS: Right, that's
2 true. That's true.

3 ASSEMBLYMAN GARBARINO: So maybe we
4 could, you know, look at that and maybe
5 expand it to other airports as well.

6 COMMISSIONER ADAMS: Absolutely.
7 ASSEMBLYMAN GARBARINO: Thank you very
8 much.
9 COMMISSIONER ADAMS: Thank you. Thank
10 you very much.
11 CHAIRMAN FARRELL: Thank you.
12 Al Stirpe.
13 ASSEMBLYMAN STIRPE: Thank you.
14 Good afternoon, Commissioner. I want
15 to talk a little bit about export trade and
16 your Global New York program. As soon as the
17 Great Recession hit, New York sort of cut
18 many of their programs. They went from 13
19 foreign offices down to I think three. They
20 stopped doing lots of trade missions and, you
21 know, basically helping any of the companies
22 with export. I think as of last year we're
23 trying to add some more foreign offices and
24 do some other things.

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1 But with the money that you're talking
2 about, the \$35 million, what types of
3 initiatives are actually going to be allowed?
4 Do companies apply individually? Are you
5 doing things for different markets or
6 different industries? Or how is that going
7 to work?

8 COMMISSIONER ADAMS: Thank you. The
9 \$35 million proposal that's in the Governor's
10 Executive Budget would fund two new services.
11 Most of it -- the bulk of it -- would go,

12 \$25 million, to basically a financing tool,
13 kind of like the Ex-Im Bank down in
14 Washington, to provide low-cost financing for
15 small and mid-sized companies that are
16 looking to explore new markets and export
17 their New York-made goods or services into
18 these new markets.

19 And again, because of their size and
20 in many cases their lack of experience at
21 foreign trade, they have trouble getting
22 traditional bank financing. For example,
23 just letters of credit or other tools to help
24 them finance -- you know, build up inventory,

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1 ship it, hope to get paid. That kind of
2 thing.

3 And so this has been done through the
4 Ex-Im Bank, but as folks have seen and the
5 Governor has pointed out, that is subject to
6 congressional authorization and it's kind of
7 been caught up, and there's some questions
8 about the future of the Ex-Im Bank in
9 Washington.

10 And what we want to be able to do in
11 New York is have a New York financing
12 facility to support trade by small and
13 mid-sized companies in the state.

14 Another portion of the \$35 million
15 would be -- and it's a smaller amount. But
16 we would do some matching grants. We had a
17 program for many years called GEMS, the

18 Global Export Marketing Services.
19 And this is one of our programs where
20 this funding -- again, a matching grant for a
21 company -- imagine an upstate manufacturer,
22 for example, that wants to do some research,
23 hire a consultant, get financial advisors and
24 start to structure their first trade deal.

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1 So that's market research. Buyers, shipping,
2 technical assistance. And that, for the
3 first time to get into export, can be
4 expensive. So a matching -- they'd have to
5 match the grant. It would be kind of a
6 public/private partnership that would help
7 them do that.

8 But generally speaking, we don't want
9 access to capital, access to low-cost
10 financial resources, to be an obstacle in the
11 way of New York State companies, especially
12 manufacturers, who are pursuing trade
13 opportunities overseas.

14 And then to your earlier point about
15 our offices, you're absolutely right,
16 Assemblyman. We did go through a
17 retrenchment as a result of the kind of
18 fiscal crunch many years ago, but have since
19 and gradually and carefully secured
20 consultants in several key markets.

21 By the way, the Comptroller's report I
22 referenced earlier says we have offices, and
23 some people believe that. We don't have

24 offices, physical spaces. We do an RFP

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1 process and select trade consultants. They
2 have to have their own office; that's not
3 really our business.

4 But we do need people on the ground in
5 places like Mexico and Shanghai and London
6 and Israel. And in Canada, of course, we
7 have something both in Toronto and Quebec.

8 So we have these consultants that are
9 poised and ready to help these firms. And
10 the funding would only go out, again, as
11 those resources, as I've described, to help
12 finance that trade. And also to attract
13 foreign investment to New York.

14 ASSEMBLYMAN STIRPE: Do you know of
15 any other funding that's available for major
16 trade shows or anything like that that we
17 could have a delegation of companies go over
18 under one roof?

19 COMMISSIONER ADAMS: We don't. You
20 know, that is a difficult -- that's a
21 difficult question. Again, ESD's budget over
22 the years has been -- does not allow for very
23 much of that. And so on a case-by-case basis
24 we evaluate those opportunities and often

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1 partner with universities, private firms,
2 SUNY and others to put together those trips.

3 But we'd be happy to work with you on
4 that, identify firms if you have in the

5 district firms -- you know, we do have -- one
6 last point on this. We do have at ESD a
7 federal grant from the Department of Commerce
8 called STEP. And STEP enables us to provide
9 financial support to firms who do trade
10 missions. And so we have done a number of
11 small trade missions using the STEP grant,
12 and have some of that funding available this
13 year.

14 ASSEMBLYMAN STIRPE: Okay. Back over
15 to the \$1.5 billion Upstate Revitalization
16 Fund, you know, originally you talked about
17 infrastructure, things like that, that you
18 could use the money for in order to attract
19 businesses, but you also mentioned workforce
20 development. What kind of workforce
21 development things would be eligible through
22 the \$500 million grants?

23 COMMISSIONER ADAMS: You know, that's
24 going to be determined -- it's a really

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1 important question. It will be determined by
2 the regions, each of the seven regions, as
3 they do their plans.

4 If history is a guide -- and
5 Assemblyman Schiminger I think mentioned
6 this -- you know, the -- in the Regional
7 Council system you've got these higher
8 education institutions that are very active
9 participants, and you have a lot of people
10 that are very keen on building a trained and

11 high-quality and attractive workforce to
12 attract the investment.

13 So for example, again in the case of
14 UB -- Senator Kennedy referred to it as
15 well -- they built workforce training, kind
16 of high-tech manufacturing training, into
17 their plan for the Buffalo Billion from
18 Day 1.

19 And I would imagine, again as a guide,
20 that these other regions, as they compete
21 this summer for the Upstate Revitalization
22 Funds, are going to develop, based on their
23 industries and their economic goals, they're
24 going to develop workforce training programs

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1 in conjunction with university partners.
2 We'll certainly look for that. So I think
3 that's one way that that's going to happen.

4 And there are other -- at the State
5 Department of Labor, in the traditional CFA
6 or Regional Council process, and even at ESD
7 now, at least in the new budget, there are
8 other resources for workforce training. It
9 is critically important. I mean, I'm glad
10 you raised it. And I think you'll see those
11 seven regions advancing plans as part of the
12 competition.

13 ASSEMBLYMAN STIRPE: Thank you.

14 CHAIRMAN FARRELL: Thank you.

15 Next to testify, Mr. Thiele.

16 ASSEMBLYMAN THIELE: I don't know if

17 I'm going to testify, but I'm going to ask a
18 questi on.

19 CHAIRMAN FARRELL: Questi on.

20 ASSEMBLYMAN THIELE: Commi ssi oner,
21 first of all I just want to follow up on
22 something Assemblyman Garbarino said, and
23 that is there's actually another
24 government-owned airport in Suffolk County

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1 also, which Suffolk County owns --

2 COMMI SSI ONER ADAMS: Gabreski ?

3 ASSEMBLYMAN THIELE: Gabreski ,
4 correct. That I would associate my comments
5 with his with regard to Gabreski , which has a
6 lot of land and is trying to promote some
7 economic development there.

8 COMMI SSI ONER ADAMS: And which, last I
9 checked, was in your district.

10 ASSEMBLYMAN THIELE: You would be
11 right in that assumption. Thank you.

12 I wanted to talk a little bit more
13 about the Regional Economic Development
14 Councils. You said in your testimony that
15 \$2.9 billion has been allocated. How much of
16 that money, as of today, has gotten out the
17 door? How much of it has actually been
18 disbursed?

19 COMMI SSI ONER ADAMS: Good questi on.
20 Some of it is -- just in general , our funds
21 not disbursed until projects are completed.
22 So when we say allocated, that's kind of with

23 a capital A, in the sense that if you take --
24 a lot of that funding through the Regional

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1 Councils is our Excelsior tax credit program,
2 which I mentioned earlier. And we do a
3 schedule with a company for that tax credit.

4 It only has value, they only can
5 actually use it against their corporate tax
6 return or get it refunded after they have
7 made their investments, created the jobs and
8 paid the wages. We have to certify all that.

9 The grant portions of the Regional
10 Council money, which frankly that's the
11 \$150 million in the budget, is strictly on a
12 reimbursement basis. So some companies
13 actually say, Well, why don't you just give
14 me the money up-front, I have to go pour
15 concrete. We say, No, we can't do that. We
16 have to protect the New York State taxpayer.
17 You go pour your concrete, you know, send us
18 all the documentation that the building is up
19 and done, the equipment is bought, jobs are
20 created. And on a reimbursement basis, our
21 ESD board will approve or should approve that
22 grant.

23 So that's the control in place. And
24 that's a way of saying that \$3.9 billion has

♀ 96

1 been allocated. It does not go out the door
2 until projects are complete.

3 ASSEMBLYMAN THIELE: So I guess my
4 follow-up question is how many projects have
5 been completed and how much money has gotten
6 out the door.

7 COMMISSIONER ADAMS: You know, the
8 first year, people were just getting started
9 and, you know, it was just getting going.
10 Now after four years, you know, we're
11 tracking 3,119 projects, I believe. Over
12 3,000 in the system. I'd have to check to
13 see the final number.

14 You know, from 2011-2012, those are
15 coming to completion. And I can get that for
16 you, the complete number.

17 ASSEMBLYMAN THIELE: That would be
18 great. Thank you.

19 COMMISSIONER ADAMS: But I'm pleased
20 to tell you -- again, as a marker more not of
21 ESD's work but of just a generally improving
22 economy, there's a higher percentage of
23 projects reaching completion on their
24 original timeline. A few years ago, with the

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1 economic downturn at ESD, our data would show
2 you we'd have a fall-off of projects. You
3 know, we'd do an incentive project with a
4 company and economic conditions made it hard
5 to happen, and so we wouldn't pay it out and
6 you'd have that fall-off. But things are
7 going much better now.

8 ASSEMBLYMAN THIELE: Okay. Again,

9 with the Regional Economic Development
10 Councils, you know, it has been four years
11 now. And I guess my question is I've been
12 through -- I've been here long enough to see
13 economic development programs proposed and
14 enacted, and then discredited. And we say,
15 Well, it didn't provide the jobs we thought
16 it was going to. And, you know, you talked
17 about the Comptroller's report about tax
18 credits today.

19 So for the Regional Economic
20 Development Councils, what is our standard?
21 What is going to be our measurement of
22 success? As we get, say, five years from now
23 and we're looking back and we see, well, this
24 is what we spent, what is going to be the

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1 measure of success?

2 COMMISSIONER ADAMS: You know, we look
3 at -- that's a very important question. And
4 we look at several things. Clearly, job
5 creation. It really is, even in the
6 infrastructure projects, even in the projects
7 where it doesn't look like jobs are the goal,
8 at the end of the day, that's what we want to
9 see: New private-sector jobs in Nassau and
10 Suffolk, right, rising employment, lowering
11 unemployment.

12 So we look for job creation. And we
13 look at cost per job, which your colleague
14 asked about before. We actually compare that

15 performance to peer states with other large
16 economies and incentive programs to make sure
17 we're being very prudent stewards of the
18 taxpayer dollar. And we look for leverage.
19 So for example in Regional Councils we
20 originally said we want to see a five-to-one
21 investment ratio. In other words, if you
22 were to put up, you know -- if the state were
23 going to commit \$10 of Excelsior, that the
24 project would have \$50 of private investment.

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1 We're running higher than that; it's probably
2 closer to 1:7 or 1:8, which is good. But
3 that's the kind of thing we track.

4 There's another piece built into this,
5 which again really comes through the councils
6 themselves. ESD here is just the
7 administrator. Each one of these 10 councils
8 has a long-term economic development plan
9 that they did in 2011. Every year they have
10 to report on their progress, are they
11 actually advancing that plan, are the
12 projects that we're funding building that
13 plan out. And so every year they report.
14 All of these reports are on our website,
15 along with two dozen other reports. And
16 they're really interesting to look at.
17 They're very detailed, they're very specific.
18 But we hold them to that. They must continue
19 to build out the plan that they proposed to
20 all of us, the Governor and all of you, in

21 2011. So we'll track that as well.
22 ASSEMBLYMAN THIELE: My last point on
23 this is, you know, the Regional Economic
24 Development Councils have done a lot of good

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1 projects across Long Island, in my area and
2 in my district. But I always get the
3 situation, it happens almost every year,
4 where somebody will have a proposal and it
5 doesn't get funded. And, you know, the
6 question is, well, who are those guys and how
7 did these decisions get made? What's the
8 process?

9 Do you worry at all about transparency
10 and how the Regional Economic Development
11 Councils operate?

12 COMMISSIONER ADAMS: In other words,
13 how should we answer that question to the
14 constituency?

15 ASSEMBLYMAN THIELE: Well, yeah, I get
16 asked that question and I have to answer it.

17 COMMISSIONER ADAMS: Yeah. You know,
18 what I always go back to, because certainly
19 I'm asked the same question, or a similar
20 question, and I always go back to the -- I
21 remind people, because I get the letters and
22 calls from the groups that don't -- that it's
23 a locally driven process. And the scoring is
24 done, first and foremost, by committees that

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1 are set up by each those councils. Every

2 council does it slightly differently.

3 But there's a local scoring committee
4 that rates on a scale of 1 to 20 the degree
5 to which they think that project will build
6 out their long-term economic plan. Then the
7 application has to go to the state agency
8 that's the source of funds, for compliance
9 purposes, because it has to comply with all
10 -- you know, check all the boxes and be
11 appropriate under the statute's rules and
12 regulations.

13 And then the third element is really
14 the competition, which is to say there's only
15 X amount of money in the system. Like I
16 said, we had over 3,000 applications on June
17 16th this past year, and we could fund about
18 700 projects. On December 6th the Governor
19 announced about 700 of the 3,000.

20 So the competitive nature just --
21 again, you have to go to those scores and it
22 gets sorted out. What I would say -- and
23 please direct any constituents to our office,
24 both our office in Hauppauge and our office

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1 anywhere, and to me -- you know, is that for
2 folks who go into the system and don't get
3 what they want, we want to work with them.
4 There may be another way to help them. They
5 may, if they just apply -- this sometimes
6 happens. If they just do a similar
7 application next year, they may get

8 something, after getting nothing the year
9 before just because of the competition and
10 the way the funds got distributed.

11 And by all means, go to all the public
12 meetings -- there's some going on this
13 week -- of the Regional Council to get to
14 know who's who and what they care about.

15 ASSEMBLYMAN THIELE: Okay, thank you.

16 And by the way, the staff on
17 Long Island has been very good with projects
18 that didn't succeed at first and working with
19 individuals and applicants about, you know,
20 what makes a good application. I always
21 appreciate that availability.

22 COMMISSIONER ADAMS: Thank you,
23 Assemblyman. I'll share that with them. I
24 appreciate that comment on their behalf.

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1 CHAIRMAN FARRELL: Thank you.

2 Ms. Malliotakis.

3 ASSEMBLYWOMAN MALLIOTAKIS: Hello,
4 Ken, how are you?

5 COMMISSIONER ADAMS: Great.

6 ASSEMBLYWOMAN MALLIOTAKIS: So there's
7 been a lot of discussion about START-UP NY.
8 I simply have a comment, really. And I think
9 that, you know, it's great that we created
10 2100 jobs with this program, but we still
11 have the 49th highest tax rate and the worst
12 business climate in the country. And so
13 there needs to be more of a long-term plan in

14 terms of what's going to happen after these
15 10 years.

16 So everyone's here, they're getting
17 these benefits, they're not paying any of
18 these taxes, but then what happens after
19 10 years? They will just pick up and leave
20 if we don't fix this climate. I mean, that's
21 just, I think, my general view of the whole
22 thing.

23 So I appreciate the steps that we've
24 taken over the last couple of years,

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1 improving the corporate income tax rate,
2 improving the manufacturing tax rate. I
3 think those are good steps. But I just feel
4 like there's missing a long-range plan here
5 because still we have so many other
6 businesses that aren't getting any of these
7 benefits and are still, you know, a victim of
8 the 49th worst climate of the country.

9 So I don't know if you wanted to maybe
10 comment on that. If you do -- if not, I have
11 other questions that I'd like to specifically
12 ask. But --

13 COMMISSIONER ADAMS: Well, just
14 briefly, I would just agree with what you're
15 saying, very much so. New York is a
16 \$1.2 trillion economy. It's one of the top
17 20 economies of the world, 500,000 employers.
18 It's a big, big economy. And so the way to
19 move, the way to really do things at scale is

20 through broad-based improvements to the
21 business climate: The broad-based tax
22 reduction you cited, other initiatives the
23 Governor and his legislative partners, you
24 all have done to just improve the business

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1 climate.

2 So it's a two-tracked approach. What
3 we're talking about in the hearing here are
4 really our programmatic approaches --
5 START-UP, Regional Councils, other tools that
6 we have, MWBE. Those are programmatic
7 approaches. We have to do that. And that's
8 day in and day out helping businesses grow
9 and create jobs.

10 At the same time we have to be
11 pursuing the broad-based reforms to the
12 business climate -- to lower taxes, reduce
13 burdensome regulation, and make it an easier
14 place to do business in.

15 With respect to START-UP, simply put,
16 it is our hope that 10 years out the business
17 climate is more attractive and that the
18 partnerships forged between the colleges, the
19 students, the researchers and the
20 companies -- that's going to be the same
21 people -- kind of create a glue. And that
22 it's hard to leave because your workforce,
23 your research, your lab technicians, the
24 people -- the partnerships are a very, very

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1 powerful part of this and I hope will be, in
2 their success, a deterrent to companies
3 leaving.

4 ASSEMBLYWOMAN MALLI OTAKI S: Well, I
5 hope so too. And I look forward to working
6 with you to see how we can do that.

7 Moving on to the Regional Economic
8 Development Councils, I know a couple of my
9 colleagues have mentioned that they feel they
10 don't know about the process, they're not
11 included in the process, they're not informed
12 when decisions are made on who these grants
13 are going to.

14 Specifically in my community, you know
15 it was devastated by Hurricane Sandy. We
16 still have major issues in terms of
17 businesses getting up and running, back on
18 their feet. What role can the Regional
19 Council play with these communities that have
20 been devastated by the hurricane and are not
21 up and running yet? I mean, because to date
22 there hasn't been any movement on the
23 Regional Council front. I'm thinking that
24 there's really a good place for them to be

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1 involved.

2 COMMISSIONER ADAMS: Well, it's
3 certainly something that they should, and
4 Cesar Claro and the chamber and other groups
5 on Staten Island should bring to the Regional

6 Council's attention. I would hope they've
7 done that already. But we should have that
8 conversation and see if there are special
9 initiatives that the Regional Council this
10 coming year could consider to help them.

11 One of the interesting dynamics is
12 that business support post-Sandy in New York
13 City was administered by the city.

14 ASSEMBLYWOMAN MALLI OTAKI S: Yes.

15 COMMISSIONER ADAMS: Just as, by the
16 way, the HUD aid was split up. Whereas our
17 support was focused on Long Island/Hudson
18 Valley. That's not by any means -- that
19 doesn't get us off the hook. You know, the
20 Governor has us firmly committed, obviously,
21 and wants us to help those businesses.

22 So we should have that discussion with
23 you and with anybody you want.

24 ASSEMBLYWOMAN MALLI OTAKI S: I would

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1 very much appreciate that. If I can follow
2 up with you offline and maybe we can have a
3 meeting with some of these businesses to just
4 get -- so you can get a real sense of what
5 they're going through. I mean, we've had
6 employers that employed 60-something people
7 and are now down to about five people. And
8 so, I mean, it's devastating, I think. And I
9 really do believe there's a role for the
10 council to play in this. And so I would
11 appreciate your help with that.

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COMMISSIONER ADAMS: Okay.

ASSEMBLYWOMAN MALLIOTAKIS: My last question, last year we passed legislation to put a 6 percent set-aside for state contracts for veteran-owned businesses. Can you just give me an idea of where that's at right now in terms of implementing it?

COMMISSIONER ADAMS: What we did last year, we looked at our network of these 24 EAPs, Entrepreneurial Assistance Programs, that are community-based and all around the state, brought them together in the summertime for a special conference and

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training, kind of a train-the-trainer thing, and brought in colleagues from Veterans Affairs and worked with them.

The idea here was to -- and we had some extra funding for this. We gave them additional support. Each one of these centers help veterans that wanted to launch businesses but needed some technical assistance getting started. So we put that new program out into our network where we do small business assistance and entrepreneurial support.

And I'd have to look at sort of where we are with that and give you some specifics, but that was the initial effort we made last summer at the Governor's request.

And now this idea -- you're right --

18 is okay, can we have a program where some
19 amount of state contracts, you know, can be
20 awarded to -- in this case I think it's
21 disabled veterans who have businesses, and
22 what's the -- so administratively what we
23 have to figure out, Assemblywoman, is okay,
24 what's the registration or certification

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1 process for those businesses and then what
2 are the types of procurements and how do we,
3 you know, build the system for that.

4 And so we're working on that, and I'd
5 be happy to get you more information. It's
6 really important.

7 ASSEMBLYWOMAN MALLIOTAKIS: That would
8 be great. Obviously I have a lot of veterans
9 in my community. But I also -- I don't
10 represent Fort Hamilton, that is Assemblyman
11 Brook-Krasny's district, but I am right next
12 door to that. And so we certainly can use
13 them as a resource as well to disseminate
14 this information as you get it.

15 COMMISSIONER ADAMS: Great.

16 ASSEMBLYWOMAN MALLIOTAKIS: Okay,
17 thank you.

18 COMMISSIONER ADAMS: Thanks very much.

19 CHAIRMAN FARRELL: Thank you.

20 Mr. Oaks?

21 ASSEMBLYMAN OAKS: Thank you.

22 Last year, I believe -- maybe in
23 2013 -- the Senate had done a study on

24 regulatory reform and put some dollar figure,

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1 \$274 billion, on what New York's regulations
2 cost business.

3 So has there been progress in
4 eliminating any of those? And I guess my
5 sense would be you're leaving now, so what
6 would your recommendation be to the new
7 commissioner, as your successor, to finally
8 make more progress on this issue?

9 When the regional structure was set
10 up, my recollection is this was going to help
11 be a process, collect information at the
12 regional level, you know, make
13 recommendations for regulatory changes. And
14 it seems like out of the council structure,
15 that hasn't been one of our great successes.

16 **CONTINUE FROM HERE, HAVE TO INPUT**
17 (audio mark is 1:50:46.)

18 COMMISSIONER ADAMS: You know, there
19 has been some significant success, especially
20 in certain agencies that have a lot of
21 interactions with businesses. And this is in
22 my observation from ESD, and I'll cite a
23 couple of examples.

24 But the broad answer, you know, is

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1 you're right, and I remember that study. I
2 think Senator Gallivan chaired the committee
3 at the time in the Senate, and this was a big
4 effort. And it identified a lot of important

5 opportuni ties.

6 At ESD, in any case, we did a thorough
7 scrubbing of rules and regulations that we
8 have that we thought ourselves might be
9 unnecessarily burdensome or cumbersome. We
10 found that a good number of them that we
11 thought might have been rules were laws, a
12 good number of them that might have been a
13 regulation was a statutory requirement. And
14 so that makes it more complicated, because
15 it's harder just through rulemaking to make
16 an amendment.

17 But we have done that internal review.
18 I know a lot of state agencies are doing
19 this. And again, the example I cite is SLA.
20 You know, we run this one-stop shop for all
21 of the -- anybody in the businesses of
22 wineries and cideries and farm breweries and
23 breweries and distilleries and the like. And
24 under the leadership of Dennis Rosen, and at

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1 the Governor's urging -- and largely as a
2 result of one of these big summits the
3 Governor hosted -- a whole slate of
4 regulatory reforms were proposed to SLA, and
5 a great number of them were acted on.

6 And the data we have now -- because we
7 run the one-stop shop, so we get the calls
8 from the business owners with complaints --
9 it's a whole 'nother story, it's a whole
10 'nother day. And the licensing data in the

11 last few years is just tremendous.

12 So the good news here is it can be
13 done. That was focused reform just at SLA.
14 At ESD we say we're the intermediary with the
15 employer community, so we hear a lot of the
16 stories and we go to the Governor's office
17 and the appropriate state agencies to try to
18 do these reforms through rule and regulation
19 internally.

20 These summits the Governor hosts, the
21 one in agriculture, for example, the same
22 thing. The CAFO regulations were
23 dramatically improved, by most people's
24 standards, as a result of one of those

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1 summits for the concentrated animal feeding
2 operations -- this was a couple of years
3 ago -- with Pat Hooker.

4 But agency by agency, I mean we are
5 certainly under a mandate from the Governor
6 to internally scrub our rules and regulations
7 and see how we can make them more
8 business-friendly. It's an ongoing process.
9 My instruction to my successor, Howard
10 Zemsky, is keep doing it, it's relentless.
11 You can never give up, just keep pressing at
12 this. It's complicated, it's a lot of work,
13 it keeps the lawyers busy, but we have to do
14 it.

15 ASSEMBLYMAN OAKS: But in ESD you have
16 scrubbed some of those within your entity,

17 you feel? Do you know how many of those you
18 might have done?

19 COMMISSIONER ADAMS: In our case,
20 Assemblyman, what we've tried to do -- our
21 scrubbing included procedural things that
22 slowed us down. For a long time at ESD
23 certain programs that we had, you know, were
24 just administrative -- in their

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1 administration, we weren't working at the
2 speed of business. So businesses would
3 complain, too long to get this, too long to
4 get that.

5 And we have done some internal reviews
6 to streamline some of these internal
7 processes. Never sacrificing a degree of
8 control or accountability, but administrative
9 steps so we can work more quickly and be
10 responsive. And that's one example we
11 focused on.

12 ASSEMBLYMAN OAKS: You talked about
13 some of the laws needing changes. Certainly
14 I'm sure, you know, I would be happy to see
15 that, or I think others in the Legislature,
16 you know, certainly to be a part of that.
17 And I know every time there's a law change,
18 there ends up being different perspectives.

19 But for instance, I just received
20 today a company, you know, that works nine
21 days now for 80 hours, so that they give
22 their employees a day off in that time.

23 Paying weekly for that company is now
24 confusing, and how do you do that? Because

♀ 116

1 individuals are now working, you know,
2 imbalanced time, it makes it more difficult
3 for them to do that.

4 So, you know, that I know is a
5 law-type change. But there's lots of other
6 ones. And again, my hope would be that as
7 the REDCs continue on, that process as it was
8 intended, I think, to do some of that
9 hopefully maybe can be more of an active
10 process.

11 COMMISSIONER ADAMS: And I think
12 that's right. I think it's a very helpful
13 suggestion, and we can certainly in the new
14 year leverage their expertise. They're
15 on-the-ground observers of these things, and
16 they bring us a lot of good information.

17 ASSEMBLYMAN OAKS: Thank you.

18 COMMISSIONER ADAMS: Thank you.

19 CHAIRMAN DeFRANCISCO: Senator
20 Krueger.

21 SENATOR KRUEGER: So, Ken, it was just
22 pointed out that you are going to be moving
23 from this agency to another agency soon. But
24 I'm just trying to get an understanding. So

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1 you're the president of ESDC or the CEO and
2 also the DED commissioner, is that correct?

3 COMMISSIONER ADAMS: That's correct.

4 SENATOR KRUEGER: And you report to
5 one board or multiple boards?

6 COMMISSIONER ADAMS: For ESDC we have
7 one board that I report to.

8 SENATOR KRUEGER: Is there a separate
9 board for DED?

10 COMMISSIONER ADAMS: No. That's a
11 statutory department.

12 But just for the record, I also -- we
13 have the JDA, you may recall, the Job
14 Development Authority. That has a separate
15 board. So I also report to that board.

16 SENATOR KRUEGER: So who's on your
17 board? How many people --

18 COMMISSIONER ADAMS: Yeah, there's
19 nine board seats under the statute, myself
20 included.

21 SENATOR KRUEGER: So you're one of the
22 nine?

23 COMMISSIONER ADAMS: Yes. And then
24 there are other individuals that have served

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1 for various tenures that are the board
2 members.

3 SENATOR KRUEGER: Okay. So Department
4 of Financial Services superintendent, that's
5 always the statutory head of the board?

6 COMMISSIONER ADAMS: No, just a seat.
7 That's a board member.

8 SENATOR KRUEGER: So he's an ex

9 officio director?

10 COMMISSIONER ADAMS: Yes. It's the
11 title, not the person. But that person votes
12 and participates in board meetings.

13 SENATOR KRUEGER: And then there's
14 three directors appointed by the Governor,
15 according to the statute, so that's four.
16 Who are the other five, and who appoints
17 them?

18 COMMISSIONER ADAMS: I actually don't
19 remember who has the appointing authority. I
20 would assume it's the legislature. I'm not
21 sure who appoints them. But I can tell you
22 who the people are, if that's your question.

23 SENATOR KRUEGER: Good. Okay, tell me
24 who the nine are.

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1 COMMISSIONER ADAMS: From my memory --
2 we had a board meeting last month. These are
3 just, again, individual volunteers that serve
4 on the ESD board. Rob Dyson, Derrick Cephas,
5 Joyce Miller. Anthony Albanese fills the
6 seat that really is the DFS seat for
7 Commissioner Ben Lawskey. Myself. That's
8 five. And we have four vacancies.

9 SENATOR KRUEGER: You have four
10 vacancies.

11 COMMISSIONER ADAMS: Correct.

12 SENATOR KRUEGER: How long have there
13 been four vacancies?

14 COMMISSIONER ADAMS: Well,

15 unfortunately, two years ago Julie Shimer
16 from Welch Allyn, who was on our board,
17 retired and moved to New Mexico. So we lost
18 Julie, and we have not replaced Julie yet.

19 And then we had another board member
20 from Buffalo, Mr. Ciminelli, who also just
21 basically -- our board meets once a month,
22 and it's a lot of material and a lot of work,
23 and he was just too busy, so he had to step
24 down. And we haven't replaced Paul yet. His

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1 name is Paul Ciminelli.

2 So we do have some vacancies and are
3 looking for -- you know, to suggest
4 candidates to fill those seats.

5 SENATOR KRUEGER: So nine total,
6 you're one of them. Four are vacant, so five
7 are filled, but you're one of them. And you
8 leave soon, so there'll be four vacancies
9 or -- has the Governor announced a new
10 replacement for you?

11 COMMISSIONER ADAMS: For me, yes.

12 SENATOR KRUEGER: Who?

13 COMMISSIONER ADAMS: Howard Zemsky.

14 SENATOR KRUEGER: I'm sorry?

15 COMMISSIONER ADAMS: His name is
16 Howard Zemsky. He's actually from Buffalo.
17 He has been, during our first term, a very
18 helpful person in economic development there,
19 as cochair of the Western New York Regional
20 Economic Development Council. And in his

21 private life he's a real estate developer.

22 SENATOR KRUEGER: And then, just
23 quickly with my last few minutes, there's so
24 many different programs within ESDC, you're

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1 correct. But one of them that seems fairly
2 large involves New York distribution of money
3 for energy programs, and one specific item
4 was New York Power electronic manufacturing
5 consortium. I think.

6 So last week -- I think it was last
7 week; I get confused -- we had the EnCon and
8 energy hearing, and in that hearing we were
9 discussing the Governor's proposal to put a
10 total of a billion dollars into a Green Bank,
11 I think there was another \$800 million into a
12 solar energy effort. So there's all these
13 other energy and environmental big-capital
14 economic development green projects. How do
15 they intersect with monies that may be going
16 through ESDC? And why would we have the --
17 some of it's over here and some of it's over
18 here?

19 COMMISSIONER ADAMS: I'm not sure
20 which ESDC or DED program -- you know, I know
21 there's a lot on that list -- that you're
22 referring to. But we don't currently -- let
23 me back up to say there are about 50 programs
24 on that list, and I actually went through and

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1 identified 25 that I knew of that were

2 active.

3 So some are in name only, and we
4 should probably clean that up. But they may
5 be buried in a statute somewhere. But again,
6 that's something we need to address.

7 So we don't have any major energy
8 infrastructure programs currently active at
9 ESD. And the program you referred to could
10 be a legacy program. Again, most of the
11 things on that list are legacy programs. So
12 they're somewhere in statute, and they get
13 reported on, but there's no activity because
14 they're not funded in the budget.

15 And so what we do do, to answer your
16 question, is when we are working with a
17 company -- and this is very helpful to have
18 the Regional Council system, because it kind
19 of does this for us, it forces this -- we
20 have that discussion about NYSERDA benefits
21 or, you know, other -- NYPA power, low-cost
22 power through the Recharge NY program, all at
23 once. And we sit down and we say, if ESD is
24 going to have, you know, a piece of this

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1 project that we're going to support through
2 Excelsior or something like that, or a modest
3 capital grant through the Regional Councils,
4 what's coming in at the same time on the
5 energy side?

6 And that usually is energy efficiency
7 programming support from NYSERDA or low-cost

8 power from Recharge NY from NYPA. And we
9 look at it holistically when we do the
10 project.

11 SENATOR KRUEGER: But are they
12 double-counted sometimes so that when you're
13 testifying or I'm looking at a report of ESDC
14 related to green energy jobs, is that a
15 double count if I'm going over and taking a
16 look at NYSERDA or the Green Bank or NYPA's
17 programs? How do we actually --

18 COMMISSIONER ADAMS: Fair question.

19 SENATOR KRUEGER: -- keep a master
20 plan of what's happening?

21 COMMISSIONER ADAMS: A very fair
22 question, absolutely.

23 In our counting of ESD's economic
24 development projects and our incentives and

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1 the jobs created, no, there's a double
2 counting. The only area where occasionally
3 we have to be careful is Regional Councils.
4 Why? Because we administer the Regional
5 Councils system. So when I say there are
6 3,119 projects over the last four years in
7 regional councils, some of them are \$10,000
8 projects, some of them are \$10 million
9 projects, they're not all done -- we collect
10 the data, we don't -- those are not all ESD
11 projects. That would include -- there are
12 12 state agencies, 30 funding streams in
13 Regional Councils.

14 We roll all that up into those
15 numbers. When I tell you there are 170,000
16 jobs retained or created by the regional
17 council system, that's using the NYPA power,
18 the Department of Labor resources, the ESD
19 resources and so on.

20 So only in Regional Councils, we've
21 got to be careful we don't let people
22 double-count. And we roll that up and say
23 that's Regional Council, there could be a
24 variety of forms of support.

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1 SENATOR KRUEGER: And if the public
2 wants to go one place to see what the state
3 is spending its money on or giving credits
4 and abatements to under the giant rubric of
5 economic development, that's necessarily your
6 sites at ESDC but more likely your sites?

7 COMMISSIONER ADAMS: It is most likely
8 our site, where we are home to, oh -- over
9 the weekend I found 23 different reports, not
10 including the Regional Council reports. So
11 again, and this is all a requirement, you
12 know, under various programs and rules and
13 regulations. So we have it there.

14 I will confess that our site is not
15 always just technically the most, you know,
16 up-to-date, user-friendly thing, and we're
17 working to make the site work better to get
18 to this -- make this transparency just easy.
19 I mean, I'd be the first to say it shouldn't

20 be complicated or hard to get to our site and
21 find a report on Excelsior tax credits from
22 2013. I mean, that's where we need to make
23 some improvements in the user-friendliness of
24 the site that helps people get to those

♀ 126

1 reports.

2 That's not to say we would have
3 reports for NYSERDA or NYPA, programs I just
4 described, at our site necessarily --
5 although the Regional Council site would
6 include that. But we would be the best bet,
7 you're right.

8 SENATOR KRUEGER: Thank you.

9 CHAIRMAN FARRELL: Thank you.

10 To close, Mr. Schimlinger.

11 ASSEMBLYMAN SCHIMLINGER: A long time
12 ago we had a program in New York State called
13 the Empire Zone program. The program has now
14 ended. In the summer of 2013 when the
15 START-UP NY program was rising, it was said
16 that this program, START-UP NY, will not be
17 like the Empire Zone program, this program
18 will be accountable, this program will be
19 transparent.

20 And when the law was made in 2013,
21 there were clear and explicit provisions in
22 the law for accountability. One of those
23 elements was an annual report by the agency.
24 Also in that report were requirements of

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1 detailed applications from the applicants and
2 annual reports from the participating
3 companies.

4 I got a very strange gift on Christmas
5 Eve this year when I saw that there was an
6 emergency rule promulgated by your agency
7 saying that the annual report -- there's been
8 none so far -- that the annual report due for
9 2014 would not come out until April 1st of
10 next year. We'll have a budget adopted by
11 then.

12 And so I wanted to ask about that.
13 And it's not just in the interest of
14 transparency and accountability, but we in
15 the Legislature have a choice to make, in
16 that the Governor has proposed to us that we
17 take \$50 million out of NYPA, a sweep,
18 \$50 million out of NYPA and put it toward a
19 promotion campaign for START-UP NY.

20 But we don't have the annual report
21 which would tell us in detail and specificity
22 not just jobs that are committed to but jobs
23 that are created. It would tell us a whole
24 host of other things.

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1 So my question is, what was -- what
2 was the reason for delaying the annual
3 report? Perhaps we have to assume that there
4 was some bad news in the annual report.
5 Maybe the companies were not submitting their

6 annual reports to you. We don't know.

7 Why is the report going to be delayed
8 till April 1st?

9 COMMISSIONER ADAMS: We had to delay
10 the report because we figured out that in
11 order for it to be a complete picture of
12 2014 -- and perhaps -- I admit we should have
13 figured this out sooner -- we needed the
14 companies to report in by December 31st and
15 to get us all their year-end data.

16 Now, they have until about January
17 15th, they have a certain period of time to
18 do that. But we couldn't -- we were, you're
19 right, originally required to put this thing
20 out by the end of the year. The program
21 started, under law, on January 1, 2014. We
22 didn't start to get a real kind of traction
23 till the summer, when the schools started to
24 create their spaces, submit their zones, and

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1 then in the fall we started to bring in
2 companies.

3 But we wanted to paint a complete
4 picture of 2014 and get that right, and for
5 that we needed to give the companies time in
6 early January to get all of their year-end
7 data so we would have a complete and full
8 picture. So we roll that up now, and we get
9 the report out by April 1st.

10 ASSEMBLYMAN SCHIMMINGER: Finis.

11 CHAIRMAN FARRELL: That's it? Thank

12 you very much.

13 CHAIRMAN DeFRANCISCO: So rather than
14 giving -- I'm sorry -- rather than giving a
15 complete picture, you gave no picture.

16 COMMISSIONER ADAMS: Well, we will
17 give a complete picture.

18 CHAIRMAN DeFRANCISCO: You could have
19 gotten whatever was available, put a report
20 together --

21 ASSEMBLYMAN SCHIMMINGER: Yeah. So?

22 CHAIRMAN DeFRANCISCO: Yeah, with a
23 little asterisk, it's not complete because we
24 started and all our START-UP stuff took time

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1 to get going and so forth.

2 So how is no information better than
3 partial information? And by the way, you're
4 still required to have it done as of the end
5 of the year. You said it wasn't required,
6 but you, your agency delayed it. The law
7 didn't change.

8 COMMISSIONER ADAMS: Right.

9 CHAIRMAN DeFRANCISCO: All right. So
10 what would it take to give us what you've got
11 now so we could consider it during -- before
12 the budget is passed?

13 COMMISSIONER ADAMS: Well, I have this
14 afternoon, you know -- again, first our
15 decision was to issue a complete report as
16 quickly as we could. And that's the decision
17 to push it back to April 1st, to get all the

18 data from all the companies together --

19 CHAIRMAN DeFRANCISCO: No, I get that.
20 We heard that once.

21 COMMISSIONER ADAMS: All right? So
22 but the -- you know, the other part of your
23 question is I have tried, and I'm
24 certainly -- you know, I'd welcome any

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1 further questions about it, but I've tried
2 this afternoon to give you the update on
3 START-UP NY in terms of what we know now,
4 those -- we talked about the 73 companies.

5 CHAIRMAN DeFRANCISCO: Ken, how
6 difficult would it be, rather than giving us
7 a verbal update that bounces from one area to
8 the other area, you're going to get us a copy
9 of the list of people that actually
10 benefited from some of these program -- from
11 START-UP NY, how difficult would it be to put
12 together what you have right now, to give us
13 at least a partial picture so we see if it's
14 successful or not?

15 COMMISSIONER ADAMS: No, I've -- we
16 can do that. I mean, I guess I -- it's been
17 in my notes, and you've heard me say these
18 things. And put it all in one piece of
19 paper, bring it together --

20 CHAIRMAN DeFRANCISCO: Okay. And
21 could you do that before you leave the
22 agency?

23 COMMISSIONER ADAMS: Certainly.

24 (Laughter.)

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1 CHAIRMAN DeFRANCISCO: Because that --

2 COMMISSIONER ADAMS: I'm not going far
3 away, Senator, but yes.

4 CHAIRMAN DeFRANCISCO: Okay, all
5 right. Thank you.

6 Now, you've told me before, I think,
7 that the advertising for 2014 was
8 \$25 million?

9 COMMISSIONER ADAMS: I think it was
10 28, and that was the first -- in the first
11 part of the year. That's a figure I saw in
12 Crain's this morning that struck me as
13 accurate.

14 CHAIRMAN DeFRANCISCO: All right. So
15 what justifies the \$50 million ask this year
16 for advertising that's coming out of the
17 Power Authority?

18 COMMISSIONER ADAMS: Well, one way to
19 think about it is if the -- that first
20 installment of advertising resulted in
21 \$104 million of company investment, right, by
22 the 73 companies. Just in the first few
23 months of the program you see there's a
24 return, that the advertising is resulting in

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1 that.

2 The other thing that's important about
3 the advertising is that -- and this is with
4 respect to, Assemblyman Schiminger brought

5 it up as well, the \$50 million. You know,
6 it's my understanding, and I talked to our
7 head of marketing about this last week, when
8 we do the START-UP NY advertising, we do it
9 as part of a broader advertising campaign.
10 And so, for example, we've done -- and you've
11 probably seen some of these -- what we call
12 kind of broad-based business marketing ads.
13 The old Robert DeNiro ad we did a couple of
14 years ago. Bigger thematic ads where we talk
15 about investments in upstate New York. Not
16 START-UP-specific. We have several campaigns
17 going on all by the same ad agency down in
18 the city. And so some has been
19 START-UP-specific. Some has been more
20 improvements to the business climate, State
21 of Opportunity, think about investing in
22 New York, more general business
23 advertising/marketing. And then some,
24 finally, is the I Love NY tourism campaign.

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1 It's all part of --
2 CHAIRMAN DeFRANCISCO: Part of the
3 \$50 million?
4 COMMISSIONER ADAMS: -- the marketing
5 effort that we're doing.
6 CHAIRMAN DeFRANCISCO: The \$50 million
7 that's being transferred says it's for the
8 Open for Business marketing campaign. That
9 includes everything including I Love NY and
10 all that?

11 COMMISSIONER ADAMS: Yes. It's
12 this -- Open for Business is the umbrella for
13 the whole campaign.

14 CHAIRMAN DeFRANCISCO: All right.

15 So --

16 COMMISSIONER ADAMS: So not all of
17 that would be START-UP necessarily.

18 CHAIRMAN DeFRANCISCO: So if I asked
19 you last year, the 20-some-odd million was
20 actually just for START-UP but the additional
21 amounts would add up to around the same
22 amount for this year, \$50 million?

23 COMMISSIONER ADAMS: I'd have to look
24 at what we spent on the other two. But we

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1 did a whole new I Love NY fall tourism
2 campaign.

3 CHAIRMAN DeFRANCISCO: Okay.

4 COMMISSIONER ADAMS: Winter tourism is
5 up now.

6 CHAIRMAN DeFRANCISCO: I don't want to
7 lose my time. I've got one other area.

8 COMMISSIONER ADAMS: But they're
9 all -- yes, you're right.

10 CHAIRMAN DeFRANCISCO: The one area
11 you've been looking for that I told you I'd
12 be asking you about, you're talking about
13 transparency. The New York film tax credit
14 was due a report on January 15, 2015, to
15 explain where the money went, what projects,
16 the same type of report that we were supposed

17 to get on this other topic. And now
18 recently, hasn't that been delayed again?

19 COMMISSIONER ADAMS: Well, that
20 report, you know, you noticed January 15th
21 came and went. And that report will be out
22 this month, in the month of February.

23 It's the first time we've had to do
24 it. I know this is a different explanation,

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1 and I'll share it briefly. But, you know, we
2 do quarterly reports on the film production
3 tax credit. We submit those to you every
4 quarter. This, under the law, is a new
5 report we've never had to do before, and it
6 requires us to get outside firms to do the
7 economic analysis of the program.

8 So we did the procurement, we hired
9 two firms -- it has to be two separate firms.
10 And quite honestly, it was the first time we
11 ever had that done. And again, honestly, it
12 just took more time for us to gather up all
13 the information, because it's a much more
14 in-depth thing, get it to those firms and
15 have them do the work, than we had
16 anticipated.

17 But it will be out this month, so only
18 a month late.

19 CHAIRMAN DeFRANCISCO: Okay. But what
20 I'm getting at, isn't it primarily to tell
21 who got the money, what jobs were created and
22 all that? So you rely on the company to tell

23 them what's happened with their company -- to
24 tell you what to put down?

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1 COMMISSIONER ADAMS: No, no, the film
2 production and television production
3 companies report all of that to us.

4 And then this report, as required, is
5 an economic analysis of the effectiveness of
6 the program based on that data. So they do
7 economic modeling, but they had never
8 received this kind of information or done a
9 job like that before, frankly. So our staff
10 had to get them all the files, all the info,
11 get it to them, and they're working on it
12 now.

13 But I'm told it will be done this
14 month.

15 CHAIRMAN DeFRANCISCO: And just a
16 number, if you can think of the number. How
17 much money was used in film tax credits this
18 year?

19 COMMISSIONER ADAMS: In 2014, we
20 issued -- 123 projects got funding. In other
21 words, the actual credits that went out to,
22 it was about \$500 million.

23 CHAIRMAN DeFRANCISCO: For how many
24 companies?

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1 COMMISSIONER ADAMS: Well, for 123
2 productions. So a production can be -- is a

3 feature-length motion picture, a long-running
4 serial television program, a pilot, all the
5 different --

6 CHAIRMAN DeFRANCISCO: And you're
7 looking for how much out of this budget?

8 COMMISSIONER ADAMS: From last year?

9 CHAIRMAN DeFRANCISCO: No, for this
10 budget that we're looking at now, how many
11 dollars do you want for film tax credits?

12 COMMISSIONER ADAMS: Well, the limit
13 annually is \$420 million. We have banked
14 credits, so we can go a little above that if
15 we have from prior years.

16 CHAIRMAN DeFRANCISCO: And that's the
17 same amount you're asking this year?

18 COMMISSIONER ADAMS: Every year.

19 CHAIRMAN DeFRANCISCO: Okay. And --
20 oh, I had a great question.

21 (Laughter.)

22 COMMISSIONER ADAMS: I'm sorry I --

23 (Laughter.)

24 CHAIRMAN DeFRANCISCO: Oh, what was

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1 it? Well, we'll have to see you next year.

2 (Laughter.)

3 COMMISSIONER ADAMS: I have a feeling
4 that in my new capacity, should you and your
5 colleagues put me there, you'll ask me the
6 same question.

7 CHAIRMAN DeFRANCISCO: Probably.
8 Probably. Well, if I think of it, I'll give

9 you a call.

10 COMMISSIONER ADAMS: Thank you.

11 Please do that.

12 CHAIRMAN DeFRANCISCO: Thank you very
13 much. Appreciate it.

14 And now the next speaker is Ken
15 Pokalsky, vice president of government
16 affairs, The Business Council of New York.

17 On deck is Brian McMahon, executive
18 vice president, New York State Economic
19 Development Council.

20 ASSEMBLYMAN OAKS: We've been joined
21 by Assemblyman McLaughlin.

22 CHAIRMAN DeFRANCISCO: Oh, I remember
23 the question.

24 MR. POKALSKY: You can ask me if you

♀ 140

1 want.

2 COMMISSIONER ADAMS: Don't ask him.

3 CHAIRMAN DeFRANCISCO: Whenever you're
4 ready.

5 MR. POKALSKY: Chairman DeFrancisco,
6 members of the committee, on behalf of
7 The Business Council I want to say we always
8 appreciate this opportunity to share our
9 views with you on the Executive Budget
10 proposal.

11 We've submitted detailed written
12 comments. In my oral testimony today I'm
13 going to focus on a handful of issues in the
14 Executive Budget we think that are directly

15 related to the state's economic development
16 efforts and those with the greatest potential
17 impact, either positively or negatively, on
18 the state's overall business climate.

19 Generally speaking, The Business
20 Council strongly supports the parameters of
21 the Executive Budget. The past four state
22 budgets, as approved by the Senate and
23 Assembly, have significantly improved
24 New York's fiscal condition, resulting in

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1 balanced budgets and projected operating
2 surpluses -- at a time, I would point out,
3 that about half of our sister states in the
4 U.S. are facing budget deficits going into
5 fiscal 2016.

6 In the 2014 session we were strong
7 advocates for modernizing and reforming the
8 state's basic business taxes, and they were
9 achieved in the fiscal 2015 budget. That
10 package provided broad-based business tax and
11 compliance relief, it greatly simplified
12 compliance for business for large
13 multi-jurisdictional taxpayers, and will
14 streamline the tax collection and audit
15 processes for the Department of Taxation and
16 Finance as well. It provided tax relief for
17 both large and small manufacturers statewide.
18 It extended the life of net operating losses,
19 assuring the availability of
20 significant deferred tax assets for many

21 taxpayers.

22 In other words, it was broad-based
23 business tax reform that we think achieved
24 broad-based business climate improvements in

♀ 142

1 New York State.

2 This year, we generally support the
3 proposal that was advanced by the de Blasio
4 administration to bring New York City's
5 general corporate tax into conformance with
6 the updated Article 9 corporate franchise
7 tax. And unlike the last time we did this,
8 did a major New York City tax conformance
9 piece, this is being done relatively quickly:
10 full compliance in three years, conformance
11 in three years, compared to the 10-year
12 phase-in that was adopted as part of the last
13 New York City conformance package.

14 We do have two significant concerns
15 with that New York City conformance proposal,
16 however. First, the city's revised business
17 tax would retain a capital-based tax
18 calculation. As you know, corporate
19 franchise tax is typically calculated four
20 ways; you pay the highest of the four.

21 It's keeping this capital-based
22 calculation, which is being phased out of the
23 state corporate franchise tax, and increasing
24 the maximum liability under this calculation

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1 from \$1 million to \$10 million per taxpayer

2 per year.

3 This approach will adversely and
4 disproportionately impact taxpayers with
5 significant physical or financial capital
6 located in New York City but with cyclical
7 changes in their net income. We believe that
8 any tax structure that penalizes employers
9 for having a significant presence in their
10 jurisdiction is bad tax policy, and we oppose
11 that feature of the city's conformance bill.

12 Secondly, the city's conformance bill
13 adopts the same type of economic nexus test
14 for New York City's business tax. This means
15 that a business not physically located in the
16 city would be subject to the city's business
17 taxes if they had more than \$1 million in
18 receipts from activities in the city.

19 Now, in the context of promoting a
20 better New York State business climate, doing
21 this at a city level we think sends the wrong
22 message. And since this provision generates
23 relatively little additional revenues for the
24 city, and because it would adversely impact

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1 business taxpayers located elsewhere in the
2 state, we recommend that it be dropped from
3 the conformance package.

4 Generally speaking, though, it tracks
5 the state changes pretty closely and we think
6 it's, generally speaking, a very useful idea.

7 Moving on, we agree with the

8 Governor's call for a significant
9 \$1.5 billion economic development package
10 targeting upstate New York. Upstate is
11 facing widespread economic challenges. As an
12 example, 40 of the 52 upstate counties have
13 yet to see private-sector employment return
14 to their pre-2008-recession levels.
15 Therefore, we think this upstate initiative
16 is very timely. However, we also believe
17 that it should be more broadly accessible to
18 significant projects located anywhere in
19 upstate New York, and not just limited to
20 projects in three of eight upstate regions,
21 as proposed in the Executive Budget.

22 In general, we support additional
23 reforms included in the Executive Budget to
24 the state's Brownfield Cleanup Program that

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1 we think will make the program more
2 accessible and more efficient. As an
3 example, we support the new expedited cleanup
4 process for projects agreeing to forego
5 access to tax credit eligibility and the
6 inclusion of state Superfund "class 2" sites
7 in the program, as well as the 10-year
8 extension of its cleanup and redevelopment
9 tax credits.

10 In our view, the program has proved to
11 be a very effective economic development
12 program, and an efficient one as well. It's
13 produced more than \$8 billion in

14 private-sector spending on the cleanup and
15 redevelopment of contaminated, abandoned,
16 underutilized properties. Its
17 cost-effectiveness is 7 to 1, looking just at
18 the direct expenditures on cleanup and
19 redevelopment.

20 As detailed in our written comments
21 submitted today, though, we think some of the
22 specific provisions in the Executive Budget
23 are counterproductive and unnecessary,
24 especially the proposal that would preclude

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1 the tangible property redevelopment credit
2 for properties whose uncontaminated value is
3 more than the projected site cleanup cost.
4 We think this is going to have a particularly
5 adverse effect on underutilized contaminated
6 but once-used industrial properties in
7 upstate New York.

8 By far the most significant new
9 business cost that would result from the
10 Executive Budget proposal is its minimum wage
11 increase. As an economic development
12 strategy, we think it's a bad idea and
13 counterproductive. It may be
14 well-intentioned, but it will have unintended
15 adverse job impacts.

16 The proposal would result in about a
17 \$4200 per job per year cost increase
18 statewide, on a full-time equivalency basis,
19 and a nearly \$6600 per job per year cost

20 increase in New York City when you consider
21 the direct payroll cost increases as well as
22 the resultant increases in federal Social
23 Security and Medicare taxes, state-level
24 unemployment insurance taxes, and workers'

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1 compensation coverage.

2 To accommodate these increased costs,
3 businesses have limited choices. They can
4 increase prices, divert resources from other
5 purposes, such as capital investments, try to
6 become even more efficient, or frankly
7 purchase less labor, whether that means
8 reduction in the hours or elimination of jobs
9 for some workers.

10 A recent study in New York showed that
11 the 2005 minimum-wage increases resulted in
12 about a 12 percent reduction in jobs for
13 young low-skilled workers who are among the
14 intended beneficiaries of the minimum wage
15 increase. And while relatively few employers
16 and employees were affected directly by the
17 2013 minimum wage increases, this year's
18 proposal would affect far more employers, far
19 more business sectors, and far more
20 occupational categories.

21 I want to conclude with two
22 suggestions of additional issues that should
23 be considered as you're adopting the 2016
24 final state budget.

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1 First, use a portion of the windfall
2 funds to do a final repeal of the so-called
3 Section 18-A energy assessment. This
4 assessment in effect, if not in statute, is a
5 gross receipts tax and will impose about
6 \$173 million in add-on costs to power
7 customers in 2015 and another \$134 million in
8 2016.

9 Ironically, since the state repealed
10 its statutory energy gross receipts tax in
11 2000, which had about \$150 million in direct
12 tax relief when that was done, the state has
13 added more than \$1 billion in annual energy
14 assessments, mostly through non-statutory
15 means. Getting rid of the 18-A assessment
16 for good would be a good step toward
17 reversing that trend.

18 Second, with all the additional
19 funding in this budget for capital projects,
20 and again the stated interest in improving
21 the state's economic climate and promoting
22 capital investment by the private sector, we
23 can think of no substantive reason to not do
24 Scaffold Law reform as part of the Article 7

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1 language in this year's budget.

2 Our written comments touch on a number
3 of other issues in the budget, including a
4 few things in terms of corporate tax
5 technical amendments we'd like to see

6 addressed, but that ends my oral presentation
7 today.

8 I welcome any comments or questions
9 that you have. Thank you.

10 CHAIRMAN DeFRANCISCO: Thank you.

11 Senator Krueger.

12 SENATOR KRUEGER: Thank you, Ken.

13 A number of the issues you've raised
14 in your testimony I completely already
15 understand.

16 On the \$1.5 billion economic
17 development program targeting the three
18 upstate winning regions and the four upstate
19 losing regions in the scenario that's been
20 laid out -- and you suggest that that's not
21 the way to do it, which I would agree with.
22 But are there any standards being applied to
23 what are good economic development proposals
24 and what are not particularly good economic

♀ 150

1 development proposals, within the context of
2 three \$500 million pots of money, do you
3 know?

4 MR. POKALSKY: For this proposal, it's
5 not been detailed yet. I mean, I think I
6 would expect it to look a lot like what was
7 done in the Regional Council process. They
8 look at projects of significant regional
9 impact, projects that will have regional job
10 and investment effects, projects that will
11 have expected return on investment both in

12 terms of new jobs, new family income, new tax
13 revenues. Those are not proposed in the
14 Article 7 language now.

15 SENATOR KRUEGER: So you just sat
16 through many questions around START-UP NY and
17 Empire Zone old things and issues of "shirt
18 changing" that we used to talk about a lot.
19 Are you concerned in The Business Council
20 that in these winner and loser regions people
21 will just pick up and move existing companies
22 from one county to another in order to get in
23 on these new tax credits or tax breaks?

24 MR. POKALSKY: I doubt that would

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1 happen. I mean, most statutory programs
2 specifically preclude credits for relocation.
3 And where it's allowed, it's only when
4 there's a, you know, valid economic purpose
5 that's agreed to by both the leaving and
6 recipient {ph} community.

7 I suspect that -- and I don't know
8 exactly what types of projects will be
9 proposed. I've reached out to members of
10 The Business Council who sit on Regional
11 Council boards to get their sense. I think
12 it's a wide variety.

13 As we've seen in the REDCs process,
14 most of this money does not go directly to
15 businesses. A lot of the money goes to
16 support structures, local infrastructure
17 projects, local job training projects, things

18 of that nature which promote the interests of
19 a number of businesses, rather than aiding
20 one business alone. So I'm not sure that's
21 going to be the focus of this program either,
22 just like it hasn't been the focus of the
23 REDCs funding.

24 SENATOR KRUEGER: In your testimony --

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1 you didn't read it, but in looking at it,
2 you're continuing to propose phasing out the
3 Section 18 assessment, which also my
4 conference has supported now for several
5 years.

6 But are you aware that somewhere
7 within this budget is language that allows
8 for the retrofitting of two upstate coal
9 plants to become gas plants, and then adding
10 \$140 million in assessments to upstate
11 consumers' utility bills to pay for that?
12 Does your organization have a position on
13 that kind of deal?

14 MR. POKALSKY: We've raised concerns
15 in other settings about using mandatory power
16 purchase agreements to repower power plants
17 in locations where the market isn't asking
18 for that. So we have real concerns with
19 those types of approaches. It's an ARTA
20 {ph}, it is serving a very localized,
21 oftentimes a local real property tax purpose
22 rather than making strategic investments in
23 the state's energy grid. So we would share

24 those concerns.

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1 I'm not familiar with the specific
2 proposal you mention, but in other settings
3 we have opposed those types of proposals.

4 SENATOR KRUEGER: Thank you.

5 Thank you.

6 CHAIRMAN FARRELL: Thank you.

7 Assemblyman Butler.

8 ASSEMBLYMAN BUTLER: Thank you very
9 much, Chairman Farrell.

10 And thank you, Mr. Pokalsky.

11 I just want to go back to what Senator
12 Krueger was talking about, and I was
13 interested to hear you say, because I have to
14 agree with you, I think when we talk about
15 regional economic development projects under
16 this program, the REDC program, I think we're
17 stretching the definition of what economic
18 development is. In other words, in my view
19 and the view of many that I've talked to,
20 there are infrastructure projects being
21 funded that the connection between pure
22 economic development is being stretched a
23 bit.

24 My question is -- and again, to

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1 piggyback off what Senator Krueger said, yes,
2 with the competition element, with only three
3 upstate areas winning in the funding, you're
4 going to have losers. But our contention is

5 that even within a region, if there is a
6 dominant county or a dominant city or a
7 dominant area, they can load the committee up
8 and therefore still get a majority of the
9 funding. So even if your region wins, I
10 think there is a concern among some of the
11 smaller counties that that money is not
12 filtering into every place where it's needed.

13 And I'm not saying that infrastructure
14 projects and those kinds of things are bad.
15 I think they need to be done. So with that
16 thought in mind, you say there has to be a
17 better way, rather than just stacking up
18 economic development programs. And you say
19 there needs to be a better way.

20 I have a resolution from one of my
21 counties suggesting that maybe that money
22 ought to be simply distributed on a
23 per-capita basis based on population. Let
24 them, let the local community make the

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1 decision on how that money would be best
2 used. I wondered if you would have any
3 thoughts on that particular proposal.

4 MR. POKALSKY: Well, I'd like to see
5 it. It depends on where you're distributing
6 it, in a county, a municipality, how's it --

7 ASSEMBLYMAN BUTLER: Well, I would
8 imagine it would be county by county. I
9 think that was the intent of their
10 resolution, county by county, per capita.

11 MR. POKALSKY: I guess my concern
12 would be, and I like one of the reasons why
13 we're hearing from our members that they're
14 concerned about a program that only awards
15 within three of eight regions, is that not
16 every project is limited to a single
17 jurisdiction. If there's a project that
18 would include development efforts in, say,
19 university campuses in Central New York and
20 adjoining regions, we don't think those
21 should be precluded by the way the funding is
22 distributed.

23 So that would be our concern. We
24 think by making it project-specific rather

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1 than jurisdiction-specific, you'd have the
2 best chance of funding the -- getting the
3 best bang for the money. Because the most
4 meritorious projects would rise to the top.

5 ASSEMBLYMAN BUTLER: But out of the
6 projects funded now that border in separate
7 regions -- or are they all within each
8 region? I mean, you have that division,
9 don't you? You wouldn't have two regional
10 committees both putting into a single pot for
11 a project. Or would you?

12 MR. POKALSKY: You mean under REDC? I
13 missed the first part of that.

14 ASSEMBLYMAN BUTLER: Well, as it's
15 constructed now, if you get funding, that
16 funding stays within your region. In other

17 words, one region wouldn't partner with
18 another region and both dump into a single
19 pot for a project that cuts across regional
20 lines.

21 MR. POKALSKY: The big difference is
22 under REDCs, every region gets funding.

23 ASSEMBLYMAN BUTLER: Right.

24 MR. POKALSKY: So you could match from

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1 one region to the next if you had a
2 project that crossed over.

3 Here, you'd have neighboring,
4 bordering regions, one had resources and one
5 had zero, under this program.

6 ASSEMBLYMAN BUTLER: But I guess --

7 MR. POKALSKY: So I think you could
8 accommodate those types of
9 interregional projects. And they have been
10 accommodated under the REDCs program.

11 ASSEMBLYMAN BUTLER: Well, I guess
12 it's a philosophical question, but the intent
13 of this was to have these decisions driven
14 locally.

15 By putting several counties together,
16 and cities and regions, you have a committee
17 that is making decisions for your local
18 community on your behalf and then submitting
19 them to Albany for, God knows, some secret
20 process that occurs there. So, you know, I
21 don't know if local communities are really
22 being represented and really having a piece

23 of that.

24 But I guess this is more a

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1 philosophical question, and I just wondered
2 about your opinion on that. So I won't --

3 MR. POKALSKY: Yeah, I think we share
4 the concern to make sure that the best
5 projects get funded.

6 ASSEMBLYMAN BUTLER: Yes. Right,
7 okay. Thank you.

8 CHAIRMAN FARRELL: Anyone else?

9 MR. POKALSKY: Okay, thank you.

10 CHAIRMAN FARRELL: Thank you very
11 much.

12 CHAIRMAN DeFRANCISCO: Okay, the next
13 speaker is Brian McMahon, New York State
14 Economic Development Council.

15 On deck, I guess Janet Silver, who's
16 sitting in for Jo Wiederhorn, and Ross
17 Frommer, they'll be next.

18 Okay, you're up.

19 MR. McMAHON: Thank you, Mr. Chairman.
20 I see the 10 minutes, and I don't plan on
21 taking more than 50 or 60.

22 CHAIRMAN DeFRANCISCO: Thank you.

23 MR. McMAHON: I'm Brian McMahon. I'm
24 executive director of the New York State

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1 Economic Development Council. We represent
2 local economic development agencies around

3 the state as well as private-sector firms
4 involved in providing services to local
5 projects.

6 Let me just go to the four issues that
7 I want to talk about today.

8 The Governor's budget includes several
9 proposals that would direct funds into
10 regional economic development initiatives.
11 The largest of these is the \$1.5 billion
12 Upstate Revitalization Fund. Our
13 organization commends Governor Cuomo for
14 committing this amount of bank settlement
15 funds for regional economic development
16 transformational projects. We believe there
17 is an important investment role in economic
18 development for state and local government,
19 and this proposal has the potential to
20 leverage significant private-sector
21 investment and job creation.

22 The Governor has proposed awarding
23 these funds on a competitive basis from among
24 seven REDCs, with Western NY and downstate

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1 regions excluded. The winners would be
2 awarded \$500 million each.

3 Unlike REDC funds, the URF money is
4 not reauthorized on an annual basis. It is a
5 one-time award. Consequently, as has been
6 stated throughout this afternoon, the four
7 losing regions would never get another
8 opportunity to challenge for these funds, in

9 spite of having both economic needs and
10 opportunities for such funds.

11 We believe the URF should be
12 competitive on a project basis, instead of on
13 a regional basis. We fully agree with the
14 Governor that the funds should be awarded to
15 regionally transformative projects that lead
16 to a significant increase in private-sector
17 jobs and investment. We would place a
18 priority on capacity building initiatives,
19 such as infrastructure, technology park and
20 shovel-ready site development, development of
21 cluster-based workforce initiatives, urban
22 core revitalization projects, and incentives
23 for large private-sector high-technology
24 projects.

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1 Our organization also supports the
2 proposed new \$10 million Employee Incentive
3 Program at ESD. The program would utilize
4 the tax credit capacity of the Excelsior Jobs
5 Credit Program and would equal 50 percent of
6 eligible training costs, up to \$10,000 per
7 employee receiving eligible training.
8 Eligible businesses would have to make a
9 minimum capital investment in New York State
10 of \$1 million to qualify.

11 Importantly, this program would train
12 workers or upgrade their skills for available
13 jobs in strategic industry sectors. Meeting
14 the technical worker needs of businesses that

15 are investing and growing in New York State
16 is a key competitive factor. New York has
17 few programs that can be targeted to meet
18 individual business needs. Those that do
19 exist are not administered by the state's
20 economic development arm.

21 This proposal, while modest in dollar
22 amount, would allow ESD to meet technical
23 worker needs of an attraction or expansion
24 project as it negotiates incentives to

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1 leverage capital investment. Often, meeting
2 skilled worker needs is more important than
3 financial incentives in attracting facility
4 expansion projects. This is an important
5 program and deserves your support.

6 We do not support the Governor's
7 budget proposal that would require approval
8 by ESD and Tax and Finance for IDAs to convey
9 state tax exemptions. We believe this
10 proposal would result in the loss of
11 considerable control of local economic
12 development to the state, shift local project
13 decision-making from local governments to
14 Albany, infringe on New York's long history
15 of home rule, delay the economic development
16 process by requiring additional approvals by
17 ESD and the Department of Tax and Finance
18 before an IDA could convey these exemptions.
19 And certainly it will add uncertainty to
20 businesses as to the tax benefits they could

21 receive for investing in our communities.
22 Any one of these outcomes would harm local
23 economic development efforts.

24 Part W of the revenue bill, where this

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1 provision is contained, would also prohibit
2 the awarding of state tax exemptions if a
3 project is deemed to compete with another
4 business in the community.

5 Economic development organizations
6 across the state work every day to create
7 clusters of industries in their communities.
8 Industry clusters connect supplier chains to
9 key customers and establish networks of
10 talent for which businesses in the targeted
11 clusters compete. This drives up wages and
12 contributes to a strong tech-based local
13 economy.

14 This provision could prevent, for
15 example, an IDA from assisting a bioscience
16 firm in Buffalo, the Hudson Valley, or
17 New York City, areas that are developing
18 strong clusters in this sector. The
19 Governor's office recognizes the importance
20 of industry clusters, which is why it has
21 directed the Regional Economic Development
22 Councils to include cluster initiatives in
23 this year's round of REDC funding. This
24 proposal conflicts with that directive.

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1 Part W would require an IDA to

2 complete its approval process before seeking
3 permission from ESD to provide state tax
4 exemptions. ESD could approve in 45 days or
5 send back the application if it desires any
6 additional information. And this would delay
7 the economic development process by a minimum
8 of 45 days, preventing IDAs from responding
9 to investment and job opportunities on a
10 timely basis.

11 Part W would add enforcement powers to
12 the Authority Budget Office that were never
13 contemplated and that would apply only to
14 IDAs. The ABO was established to be an
15 independent overseer of all state and local
16 public authorities. This proposal inserts
17 the ABO into the IDA statute and imposes
18 unique enforcement powers on one class of
19 local public authorities.

20 The proposal would impose claw-back
21 requirements on IDAs that are more
22 restrictive than those contained in ESDC
23 incentive contracts or that are included in
24 the Excelsior Jobs Program regulations.

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1 So just as New York is one state but
2 has 10 economic development regions, each
3 region has many different economies within
4 it. For example, the economy of Cattaraugus
5 County is vastly different than the economy
6 in Erie County, yet they are both in the
7 Western New York economic development region.

8 The economy in Madison County is very
9 different than Onondaga County, and Otsego
10 County is quite different than Oneida County.

11 IDAs exist to respond to the unique
12 economic challenges and opportunities of the
13 local communities that they serve.

14 And finally, this proposal conflicts
15 with a bottom-up model of economic
16 development, which New York has been moving
17 toward and which we support. We urge you to
18 reject these proposals.

19 The Governor's budget would extend the
20 Brownfield Cleanup Program for an additional
21 seven years. It would allow projects
22 admitted into the program to receive
23 certificates of completion by the close of
24 2025. And it would also restrict eligibility

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1 criteria and limit expenses that qualify for
2 both the remediation and tangible property
3 tax credits. Our organization strongly
4 supports the extension of the program for
5 10 years, which would provide certainty to
6 program participants and communities and
7 residents adversely affected by the
8 brownfield sites.

9 We would recommend a few revisions.
10 Specifically, one of the qualifying criteria
11 for the tangible property credit is that the
12 project must be "upside down," meaning the
13 cost of investigation and cleanup must exceed

14 the appraised value of the property, absent
15 environmental contamination.

16 The environmental condition of
17 property affects its market and appraised
18 value and should be taken into account when
19 determining if a project is "upside down" or
20 not. Sites that are not upside down will not
21 otherwise qualify for the tangible property
22 credit, and losing the tangible property
23 credit will cause some willing to take on
24 such contaminated sites to then look for

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1 other easier-to-develop sites, including
2 greenfields, thus encouraging sprawl, and
3 leaving contamination and public health
4 threats in the ground.

5 Also, another eligibility criterion is
6 that the project must be in an En-Zone.
7 Designation of an En-Zone is limited to
8 eligible census tracts with a poverty rate of
9 at least 20 percent, according to the 2000
10 census, and an unemployment rate of at least
11 125 percent of the New York State average.

12 We would recommend changing the
13 definition of an En-Zone to include a census
14 tract where the poverty rate is 20 percent or
15 has an unemployment rate of at least
16 125 percent of the New York State average.
17 This would allow for additional contaminated
18 sites that threaten public health to
19 potentially be eligible for the tangible

20 property credit, thus encouraging more
21 private-sector remediation of contaminated
22 sites.

23 Let me close just by mentioning one
24 other proposal in the Governor's budget, his

♀ 168

1 broadband expansion. The Governor's budget
2 proposes to invest \$500 million in broadband
3 expansion, which would be matched by
4 private-sector Internet providers. The
5 proposal would require not just the provision
6 of broadband, but the deployment of
7 high-speed broadband.

8 Broadband is an economic development
9 infrastructure requirement, and the
10 availability of high-speed broadband is an
11 important competitive factor. Many areas of
12 the state are not being served because of low
13 population density, which makes the
14 investment in broadband economically
15 unfeasible for private providers.

16 This proposal would provide an
17 economic incentive to close the digital
18 divide where it exists in the state. Those
19 areas not served or underserved by high-speed
20 broadband have little opportunity to compete
21 for business investment. Importantly, these
22 areas, which may otherwise have a great
23 quality of life, cannot attract entrepreneurs
24 or other professionals without high-speed

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1 broadband capacity.

2 This is an important and rapidly
3 growing economic development opportunity and
4 includes professionals engaged in R&D, the
5 arts and entertainment, and Internet-based
6 businesses. This is an important initiative,
7 and we urge your support.

8 There are a few other issues that are
9 in the written testimony, but that concludes
10 my oral presentation. I'd be happy to answer
11 any questions.

12 CHAIRMAN DeFRANCISCO: Thank you.

13 Senator Krueger.

14 SENATOR KRUEGER: Afternoon, Brian.

15 MR. McMAHON: How are you?

16 SENATOR KRUEGER: Thank you for
17 reminding us that we did zero out the taxes
18 for manufacturing last year.

19 MR. McMAHON: Yes.

20 SENATOR KRUEGER: And can you tell us
21 what kind of increased pattern we've seen in
22 any manufacturing in New York State, in new
23 companies or growth in companies?

24 MR. McMAHON: Well, the number of

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1 manufacturing employment is down.

2 SENATOR KRUEGER: Down.

3 MR. McMAHON: I mean, we just recently
4 enacted the reduction or the elimination of
5 manufacturing tax, and frankly we worked hard

6 at telling that story. And we wish that more
7 promotion of that would be made elsewhere.
8 And getting that across sometimes is hard to
9 cut through some of the advertising that is
10 going on. But we think fundamentally that
11 action that you took last year long-term is
12 going to pay off significantly.

13 SENATOR KRUEGER: So when you said
14 manufacturing is down, from a year ago
15 manufacturing is down?

16 MR. McMAHON: Yes. Right. Certainly
17 upstate that's true.

18 SENATOR KRUEGER: That there's very
19 little downstate. Well, there's different
20 kinds of manufacturing.

21 So you actually think that a marketing
22 campaign to make sure people who currently
23 have manufacturing companies in New York
24 State know that if they were to expand, you

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1 know, there's all these different kinds of
2 programs we heard about today, and there's
3 not -- you know, there's a zero tax rate.

4 MR. McMAHON: I think companies that
5 are already here because they pay their
6 taxes, they know what the impact is. I think
7 we need to do a better job of conveying this
8 to out-of-state manufacturers. And
9 international manufacturers.

10 SENATOR KRUEGER: Thank you.

11 CHAIRMAN FARRELL: Thank you.

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Assemblyman Schimmi nger.
ASSEMBLYMAN SCHI MMI NGER: Let me read
back a little testimony here. It says, in
regard to the upstate initiative: "However,
we also believe it should be broadly
accessible to significant projects across
upstate, and not limited to projects in just
three of eight upstate regions."

That sounds a lot like your testimony,
Brian, but it was actually Ken Pokalsky's
testimony. So I think you all are on a
similar wavelength on this thing. You went
beyond what Ken Pokalsky said, and you

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reminded us that this is a maybe not
once-in-a-lifetime, but it's a one-time very
big award. It's a contest that will run for
two and a half months, and three regions are
going to win and a lot of regions are going
to lose.

Thank you for reminding us that this
is a very high-stakes contest. And we don't
think it's going to be repeated, do we?

MR. McMAHON: I mean, we don't know
what future settlements there might be.

ASSEMBLYMAN SCHI MMI NGER: There might
be some future settlements.

CHAIRMAN DeFRANCI SCO: All set?

ASSEMBLYMAN SCHI MMI NGER: Yup.

CHAIRMAN DeFRANCI SCO: I happen to be
against the competition, like we've got them

18 for economic development projects. I think
19 it should be used for infrastructure on some
20 type of equitable basis, whether it's roads
21 through CHIPS or whatever.

22 But having said that, a competition of
23 three is better than no competition for one,
24 right?

♀

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1 (Laughter.)

2 ASSEMBLYMAN SCHIMMINGER: Now, now.
3 There was a great need in Western New York.
4 The Governor perceived that.

5 CHAIRMAN DeFRANCISCO: We don't need
6 anything, yeah.

7 MR. McMAHON: Yeah, I mean -- I think
8 when we talk about this, I think our vision
9 would be that this would kind of act as a
10 traditional economic development program,
11 with criteria defining what a
12 transformational projects, and have good
13 projects come up organically. Possibly
14 through the Regional Councils, that's fine.
15 I think they should come up to the Regional
16 Councils. I think they should be consistent
17 with regional strategic plans.

18 But \$1.5 billion, that's a lot of
19 money. And to get it out the door on a
20 competitive basis in three months I think is
21 ambitious, and I think that you would end up,
22 at the end of the day, leaving an awful lot
23 of good transformational projects unfunded.

24 CHAIRMAN DeFRANCISCO: Thank you very

♀

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1 much.

2 The next speakers are Janet Silver and
3 Ross Frommer for the Associated Medical
4 Schools of New York.

5 MS. SILVER: Good afternoon, Senator
6 DeFrancisco, Assemblyman Farrell and members
7 of the Legislature. Thank you for the
8 opportunity to present testimony today on
9 behalf of AMSNY.

10 My name is Janet Silver, and I'm with
11 Hinman Straub. Jo Wiederhorn, the president
12 & CEO of AMSNY, sends her apologies but was
13 unable to be here today due to the weather.

14 The Associated Medical Schools of
15 New York is a consortium of 16 public and
16 private medical schools in the state. The
17 mission is to promote high-quality and
18 cost-efficient healthcare by ensuring
19 outstanding medical education, care and
20 research.

21 Joining me today is Ross Frommer, vice
22 president of government and community affairs
23 from Columbia University Medical Center.

24 You have a copy of Ms. Wiederhorn's

♀

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1 written testimony that also includes a lot of
2 statistics and background on the programs I'm
3 going to discuss today. But because of time,
4 I'm going to summarize and just discuss two

5 priorities of AMS. The first is AMSNY's
6 Diversity in Medicine programs, and the
7 second is funding to support star
8 researchers.

9 First let me just take a minute to
10 talk about the diversity programs. While not
11 an economic development program, we thought
12 it was important to highlight the success of
13 this program and also include our concerns
14 regarding the Governor's budget proposal.

15 AMS diversity programs have been in
16 operation for almost 25 years. The programs
17 include the post-baccalaureate program at
18 SUNY Buffalo, three master's degree programs
19 that are currently held at SUNY Upstate
20 Medical University, Stony Brook School of
21 Medicine, and New York College of Medicine,
22 as well as a variety of programming for
23 students in college as well as high school.

24 The post-baccalaureate program has had

♀

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1 amazing success. Ninety-three percent of the
2 students who enter the post-baccalaureate
3 program have entered medical school.
4 Eighty-seven percent of those matriculated
5 into medical school, and 55 percent of the
6 students entered primary care residencies.

7 The master's programs that began in
8 2008 have also had an amazing success rate of
9 93 percent of the students who completed the
10 program have entered medical school.

11 Remember, these are students that would not
12 have entered medical school otherwise.

13 To be accepted into the program,
14 students cannot be accepted to any medical
15 school in the country and are referred into
16 the program by one of the medical schools
17 that has identified them as having potential
18 and through academic enrichment, mentoring
19 and research could potentially complete
20 medical school. Students who successfully
21 complete the programs are guaranteed
22 admission to the medical school that referred
23 them.

24 The Governor's budget this year is

♀

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1 proposing to eliminate the direct
2 appropriation that supports the AMSNY
3 diversity programs, and is proposing to lump
4 this program with seven other programs and
5 reduce overall funding by 15 percent. The
6 proposal would also enable the Department of
7 Health to establish criteria in a potential
8 competitive process to award the funds.

9 Based on the outcomes and success of
10 these programs, AMSNY believes it could
11 potentially compete for funding under the
12 proposal. The problem, however, is the
13 program enrolls students in the spring and
14 programming starts on July 1st. The majority
15 of the funding supports students' stipends
16 because students cannot work. The

17 uncertainty regarding the actual amount of
18 funding that would result, and not knowing
19 how many students could enroll, would require
20 the programs not to start a new class on
21 July 1st.

22 We urge the Legislature to reject this
23 proposal and provide direct funding for
24 individual programs.

♀

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1 In addition, AMSNY is requesting
2 funding in the amount of \$2 million that
3 would restore the full amount and enable AMS
4 to enroll a full complement of students, and
5 also reactivate programs such as MCAT prep
6 programs that they have had to eliminate over
7 the years due to budget cuts.

8 More importantly and on point for this
9 hearing, last year Ms. Wiederhorn testified
10 regarding a growing concern of the medical
11 schools related to increased competition from
12 other states to recruit star researchers. At
13 that time the deans had identified a problem
14 on the horizon that today is unfortunately a
15 reality. Star researchers from New York
16 State medical schools are being poached to
17 institutions in Texas, California,
18 Massachusetts, Connecticut and Florida.

19 I highlight these states in particular
20 because the states are making significant
21 investments into biomedical research. Each
22 state has invested over \$1 billion. Texas

23 and California, for instance, have invested
24 over \$3 billion.

♀ 179

1 Let me take a moment just to highlight
2 Texas. Since 2011, Texas has spent over
3 \$240 million on the recruitment of top
4 researchers from out of state. During that
5 period of time, Texas has successfully
6 recruited 12 researchers from New York.
7 Texas did not only recruit that researcher,
8 but recruited the researcher, their lab
9 staff, their NIH funding and private
10 philanthropy, as well as good-paying jobs
11 that came from many of our New York State
12 cities.

13 Texas has not only invested in direct
14 support for researchers, but during this time
15 has also spent over a billion dollars in new
16 labs, research facilities and direct support
17 for research through grants.

18 As previously stated, Texas is not the
19 only state. Five other states have recently
20 enacted investments and are actively
21 recruiting New York State researchers. In
22 your packets you have details on what each
23 state has been doing as well as the dollars
24 behind each program.

♀ 180

1 New York has been a leader in
2 biomedical research and is currently the

3 third-largest recipient of NIH funding.
4 However, increased state-supported
5 competition is making it more and more
6 difficult for New York to continue to be a
7 leader. New York's medical schools are
8 playing offense, continually recruiting top
9 researchers, and at the same time playing
10 defense, retaining our star researchers that
11 have made tremendous impacts on healthcare in
12 New York State as well as our local
13 economies, with job creation, patents,
14 royalties and spinoffs.

15 New York State medical schools need
16 the assistance of New York State to remain
17 competitive. As demonstrated by the
18 researchers who were recruited to Texas, loss
19 of star researchers is no longer a concern
20 but a reality. The medical schools cannot be
21 expected to compete with large state-funded
22 programs. New York is home to 16 medical
23 schools. Locally the economic impact of
24 research can be seen in Buffalo, Rochester

♀

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1 and Syracuse.

2 Last year, with the support of both
3 houses, the final budget included statutory
4 language to restart the NYSTAR Faculty
5 Development Program and authorized over
6 \$600,000 in support for retention and
7 recruitment of researchers. The medical
8 schools were thankful for the support but

9 need increased financial support in order for
10 New York to remain competitive.

11 This year, AMSNY is requesting
12 \$50 million in support for the FDP program.
13 Fifty million dollars will enable the medical
14 schools to compete but will also demonstrate
15 to other states that New York is committed to
16 research infrastructure that has a tremendous
17 impact on our state.

18 Mr. Frommer will now provide more
19 detail on the Faculty Development Program and
20 also an example of its success.

21 MR. FROMMER: Thank you, Janet.

22 I just want to talk briefly about
23 Dr. Rudy Leibel, because Dr. Leibel is a
24 perfect example of how successful the Faculty

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1 Development Program has been in the past. He
2 is an internationally recognized expert in
3 diabetes and obesity research and has worked
4 his entire life to find ways to prevent this
5 debilitating disease. Frankly put, in the
6 world of science, he is a rock star.

7 Dr. Leibel joined the faculty at
8 Columbia in 1997 and from the beginning was
9 very successful in not only moving science
10 forward but also bringing in grants,
11 philanthropic, and private-sector support.

12 In 2002, a highly respected,
13 well-resourced medical school from another
14 state made an effort to recruit Dr. Leibel

15 away from Columbia and New York. They made a
16 very attractive offer, but fortunately we
17 were able to convince him to stay. The
18 primary reason we were able to do that is
19 because we received a faculty development
20 grant from what was then NYSTAR, and this
21 allowed us the resources to convince
22 Dr. Leibel to stay in New York at Columbia.

23 The FDP grant was for \$150,000 a year
24 for five years, for a total state investment

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1 of \$750,000. According to ESD, Dr. Leibel
2 has generated over \$80 million in economic
3 activity since 2002 in federal grants and
4 private-sector support.

5 Today, Dr. Leibel is directly
6 responsible for over 100 good-paying jobs.
7 These are career positions in science and
8 administration. And this does not even
9 include the general campus support jobs like
10 maintenance, security and animal care which
11 his lab indirectly supports. These are jobs
12 that not only offer a good salary but also
13 offer retirement benefits, health insurance
14 and educational support for employees and
15 their families; i.e., the kind of jobs that
16 not only allow people to support themselves
17 but allow them to move up the economic ladder
18 and create strong communities.

19 So in 2002, New York State invested
20 three-quarters of a million dollars in

21 Dr. Leibel. Twelve years later, the return
22 on that investment is 107 to 1 and counting.
23 My back-of-the-envelope calculations show
24 that in just New York State income tax

♀

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1 revenue alone, Dr. Leibel and his employees
2 generate north of a quarter-million dollars a
3 year every year.

4 One of the other requirements for the
5 FDP grant was a proven record in technology
6 transfer, and Dr. Leibel has excelled in this
7 area as well. Since receiving the FDP grant,
8 he and his colleagues have filed 13 invention
9 disclosures and received 13 patents. He is
10 the principal investigator in a strategic
11 collaboration on diabetes research between
12 Columbia and AstraZeneca, and he has
13 relationships with Regeneron, Eli Lilly, and
14 GlaxoSmithKline as well.

15 I remind you that the original grant
16 was a retention grant designed to prevent
17 Dr. Leibel from leaving. By definition, if
18 not for the FDP grant, all of his work, all
19 of his grants and the jobs and economic
20 activity that go along with it would be
21 occurring elsewhere and not in New York.

22 I submit that we want more scientists
23 like Dr. Leibel coming to and not leaving
24 New York, and the FDP has a proven track

♀

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1 record of making this happen. He may be the

2 poster child for how successful this program
3 has been, but there are countless other
4 examples of FDP grant recipients succeeding
5 at science in New York -- upstate, downstate,
6 SUNY, private, it doesn't matter. And I
7 should note that SUNY Buffalo and SUNY Stony
8 Brook were major recipients of this grant.

9 Research institutions across the state
10 can also tell you stories of big fish that
11 got away -- top scientists with significant
12 funding who came very close to accepting a
13 faculty position in New York, but for
14 whatever reason we could not seal the deal.
15 With a little help from the state, many of
16 these recruits could be in New York right now
17 doing research, bringing in grants, and
18 creating jobs.

19 Each time we lose a scientist, each
20 time we fail to recruit someone, it's leaving
21 money and jobs on the table. President
22 Obama's federal budget, which he released
23 last week, calls for a \$1 billion increase in
24 funding for the National Institutes of

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1 Health. I can tell you, while there is a lot
2 of division in Washington right now, one area
3 where you see strong bipartisan, bicameral
4 agreement is funding for biomedical research
5 and the NIH. So there's a good chance that
6 this money will appear in the final budget.

7 As you are no doubt aware, New York is

8 a net donor state to the federal government.
9 We pay far more in taxes than we receive in
10 benefits from Washington. One of the biggest
11 exceptions to this rule, though, is research
12 funding. New York has 6.2 percent of the
13 population, yet we receive just under
14 9 percent of the NIH extramural funding.

15 But how are we going to maintain this
16 stature? How are we going to keep research
17 dollars coming to our medical schools? As
18 Ms. Silver mentioned, we used to rank number
19 two in NIH funding; now we've lost out to
20 Massachusetts, and other states are nipping
21 at our heels. What are we going to do to
22 keep the talent, the research and the jobs
23 here?

24 The Legislature has done a lot of good

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1 work in this area, as has Governor Cuomo and
2 previous governors, but for the most part,
3 state efforts have focused on technology
4 transfer and private-sector development.
5 This is important, but it's not going to
6 happen without ideas and without talent.
7 That is why the FDP is so crucial. The
8 program attracts and keeps scientific talent
9 in New York. That talent moves science
10 forward and leads to ideas that can become
11 the next great discovery, the next great
12 blockbuster drug, all the while generating
13 grant revenue and creating jobs. You can't

14 get good output unless you have good input.
15 So I strongly urge you to include
16 significant funding, \$50 million, for the FDP
17 in the budget. Let's continue to make
18 New York a place where scientists want to be.
19 Don't let our talent get away. Let's work to
20 ensure that the next Rudy Leibel -- or,
21 better yet, Rudy Leibels -- choose to do
22 their research right here in New York.

23 Thank you very much.

24 CHAIRMAN DeFRANCISCO: Thank you.

♀

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1 CHAIRMAN FARRELL: Thank you.

2 ASSEMBLYMAN SCHIMMINGER: I'll group
3 all my questions together.

4 Did you ask the Governor for Faculty
5 Development Program funding, did he reject
6 it, did he give any reasons for rejecting it?

7 MS. SILVER: Yes, we've had
8 conversations with the Governor's office
9 since the last budget. At the end of the
10 day, we were told that there was a lack of
11 funding and initiatives. But they are
12 supportive of the program, also understand
13 the impact it has had on the economy,
14 especially upstate, as well as the clusters
15 in New York City.

16 ASSEMBLYMAN SCHIMMINGER: Thank you.

17 CHAIRMAN FARRELL: Did you give that
18 doctor an apartment?

19 MR. FROMMER: To be honest, Chairman

20 Farrell, I do not know where Dr. Leibel
21 lives. I do know he is a resident of
22 Manhattan.

23 CHAIRMAN FARRELL: I'd like to know
24 what floor is he on.

♀

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1 (Laughter.)

2 CHAIRMAN FARRELL: Okay, thank you.

3 CHAIRMAN DeFRANCISCO: Thank you very
4 much.

5 And there's been a gap in this issue
6 concerning residencies. Remember, we had
7 great talks that they were going to foreign
8 medical schools. At some point I'd like to
9 talk to you about that, to see what the
10 status is, what you've done, and what I can
11 do.

12 MS. SILVER: We'd be happy to have
13 that conversation.

14 CHAIRMAN DeFRANCISCO: All right,
15 thank you.

16 MS. SILVER: Thank you.

17 MR. FROMMER: Thank you.

18 CHAIRMAN DeFRANCISCO: The next
19 speaker, Jenn O'Connor, New York State
20 director of ReadyNation.

21 On deck is Jan Chesterton. Jan
22 Chesterton's on deck, New York State
23 Hospitality and Tourism Association.

24 MS. O'CONNOR: Good afternoon.

♀

1 ReadyNation is a national
2 organization. Our advisory board includes
3 CEOs and former CEOs from Proctor and Gamble,
4 from Macy's, Boeing, and Hanover Capital. In
5 New York State there are 150 members
6 statewide.

7 You have my written testimony and some
8 handouts, so I will keep this pretty brief.
9 But if we really want to change the
10 trajectory for economic development in
11 New York State, we need to change our
12 perspective on what economic development
13 truly is.

14 While it's certainly investing in
15 startups, small businesses, and new
16 technologies, it's also investing in
17 infrastructure. And I don't mean buildings,
18 I mean human capital. That means today's
19 workforce -- working parents -- and
20 tomorrow's -- our young children. We need to
21 start listening to Nobel Prize-winning
22 economist James Heckman, whose chart on the
23 inverse relationship between brain growth and
24 public expenditures is included in your

♀

1 packet.

2 We're not the only group of business
3 leaders who get this. This position is
4 supported by the U.S. Chamber of Commerce,
5 the Manufacturing Institute, and the Business

6 Roundtable. But I worry that we talk to the
7 wrong people. We talk to the human services
8 people, we talk to the education people -- I
9 think we should be talking to the economic
10 development people.

11 Here's why. For every dollar spent on
12 utilities, the return on investment is \$1.53.
13 For manufacturing, it's \$1.72. For retail,
14 \$1.83. For every dollar spent in the
15 early-learning sector, the return on
16 investment is \$1.86. And that money stays in
17 the community, unlike the other sectors.

18 I'm not saying don't invest in
19 construction -- but invest here too. If you
20 want to support the workforce, help prevent
21 the absenteeism that costs this country
22 \$3 billion every year, help provide
23 high-quality childcare so that parents can go
24 to work knowing that their children are safe

♀

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1 and learning.

2 My members support strategies along
3 the education continuum, strategies that will
4 close the skills gap: multiple pathways to
5 graduation, career and technical assistance
6 programs, extended school days. And if
7 invested in adequately, these initiatives
8 will help us close that skills gap, which is
9 350,000 mid-level-skill jobs by 2020.

10 But early learning can help eliminate
11 the skills gap. The data on education

12 outcomes is also in your packet. Only five
13 of the 10 Regional Economic Development
14 Councils include early learning as a
15 priority. My request today is that you
16 influence your Regional Economic Development
17 Council and ensure that not only is early
18 learning included but that thoughtful,
19 meaningful investments are made. And that
20 when you look at the funding available to you
21 to allocate, you consider early learning as
22 an economic development strategy.

23 I'm not going to take a position on
24 START-UP NY, but I will tell you that if

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1 there was an initiative entitled "Start Early
2 NY," the dividends would be huge.

3 Thank you.

4 CHAIRMAN DeFRANCISCO: Thank you very
5 much.

6 Any questions? Thank you.

7 MS. O'CONNOR: Thank you.

8 CHAIRMAN DeFRANCISCO: It's not the
9 nature of your testimony, it's the lateness
10 of the hour, why there's no questions.

11 Okay. Jan Chesterton, New York State
12 Hospitality and Tourism Association.

13 On deck, the featured and last speaker
14 is Chretien Voerg. Is that close? How about
15 letting me know what it is.

16 MR. VOERG: Chretien Voerg.

17 CHAIRMAN DeFRANCISCO: Okay.

18 MS. CHESTERTON: Thank you. My name
19 is Jan Chesterton, and I'm the president of
20 the New York State Hospitality and Tourism
21 Association. And I also act as the
22 administrator for the Tourism Industry
23 Coalition of New York.
24 I'd like to thank Chairmen Farrell and

♀ 194

1 DeFrancisco and all the members of the
2 Legislature here today for allowing me to
3 testify, specifically as it relates to the
4 tourism programs within the 2015-2016
5 Executive Budget proposal.

6 The tourism industry in New York State
7 is unparalleled with its combination of
8 creating and maintaining jobs and providing
9 the state with a return on its investment
10 like no other industry can offer. Tourism is
11 a part of each region of the state, providing
12 employment at all levels, from management to
13 entry level.

14 This past December, the state awarded
15 nearly \$12 million in tourism-related
16 projects through the fourth round of the
17 Regional Economic Development Council
18 process. We remain an avid supporter of
19 REDCs, as they have been a proven source for
20 tourism promotion and marketing all across
21 the state. As we move forward and begin
22 discussions on the 2015-2016 state budget, we
23 hope tourism funding for all programs is

24 preserved.

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1 Tourism is a needed investment because
 2 the industry acts as a partner with the
 3 state, providing jobs and revenue.
 4 Furthermore, we strongly support a fifth
 5 round of funding for the REDCs as part of the
 6 state budget. Given its proven track record
 7 as a revenue source for the state and local
 8 governments, as well as a job generator,
 9 tourism is not only a wise investment but a
 10 critical one that yields unmatched as well as
 11 sustained returns on this state's economy.

12 That is why we as an industry support
 13 at least maintaining, if not increasing, the
 14 funding levels for the Tourism Matching
 15 Grants program as well as the I Love NY
 16 program.

17 The funding which has been maintained
 18 at the same level over the past several years
 19 of the budget has given the industry the
 20 reliance and sustainability it needs to grow
 21 and market and promote all the destinations
 22 and attractions of the state.

23 Through the Tourism Matching Grant
 24 program, which is an aid to locality

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1 legislative program and is matched locally
 2 dollar for dollar by the industry, funding is
 3 used to market the regional tourism
 4 attractions. The numbers and success of

5 these matching grants statewide is amazing.
6 Direct tourism employment grew 1.9 percent in
7 2013. One in every 12 jobs in New York State
8 is sustained by tourism. Over 900,000 jobs
9 were sustained by tourism activity in 2014,
10 and tourism spending generated \$95.4 billion
11 in total business sales in 2013.

12 The benefits collected in the form of
13 state and local taxes alone are worth the
14 investment, especially considering the
15 limited resources the state can invest.
16 Tourism is an investment that produces
17 revenues and jobs. Tourism is now the
18 fourth largest employer in New York State on
19 the basis of direct tourism employment,
20 jumping over both finance and insurance in
21 2014.

22 The industry has done its part to
23 maximize the funding of the I Love NY program
24 in the advertising spots of the I Love NY

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1 brand that were successful for the industry
2 and must continue to expand in 2015.

3 Most importantly, these two programs
4 were a major part of the tourism economy
5 reaching a new high in 2014. Additionally,
6 in 2014 funding for programs such as
7 Market NY and Taste NY were allocated for
8 regional marketing and promotions across the
9 state, and were huge successes.

10 We continue to be encouraged by the

11 Governor's commitment to tourism. After all,
12 it is marketing and promotion that will bring
13 the visitors back to the state.

14 And one final comment. In 2013,
15 Governor Cuomo signed legislation increasing
16 the state's minimum wage from \$7.25 to \$9 by
17 the end of 2015 to better align with the cost
18 of living. This year the Governor has
19 proposed raising the statewide minimum wage
20 yet again to \$10.50 by the end of 2016.
21 Additionally, because New York City has one
22 of the highest costs of living, the Governor
23 also proposed raising the city's minimum wage
24 to \$11.50.

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1 As an industry, we certainly support a
2 fair minimum wage, but our business members
3 know that these types of increases negatively
4 impact job creation and business growth
5 across the state. Therefore, NYSHTA remains
6 concerned that the Governor's proposal is too
7 steep, too soon, in too short a period, and
8 that it will result in fewer jobs created,
9 potential job losses, and it will adversely
10 impact both small businesses statewide.

11 I want to thank you again for the
12 opportunity. I'm pleased to testify
13 before you this afternoon, and I certainly
14 offer our association as a partner to
15 maximize the state's economy.

16 CHAIRMAN DeFRANCISCO: Senator

17 Krueger.

18 SENATOR KRUEGER: Thank you.

19 Do you break down your data by region
20 or county? I'm just curious, one, do your
21 tourism dollars include people from New York
22 City who go and spend their summer in the
23 Adirondacks, or is it only from outside of
24 the State of New York into New York State?

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1 MS. CHESTERTON: There is some data
2 collected on international and domestic
3 visitors, and it is broken down by region.
4 But in terms of interstate travel, I'm not
5 exactly sure. I could probably look into
6 that for you.

7 SENATOR KRUEGER: Okay. Does your
8 association take a position on whether the
9 gambling that is growing in the state through
10 casinos will increase tourism dollars or
11 shift dollars from -- being spent now in X
12 location to moving to Y location?

13 MS. CHESTERTON: That has been,
14 obviously, an ongoing conversation for
15 several years amongst our association and our
16 members. And we've actually -- we don't have
17 a position on that, and we chose not to
18 because there are certain pockets of the
19 state that while some may benefit, others may
20 not. And as a statewide lodging and tourism
21 association, we felt it was best to -- what
22 may be good for some may not be for others.

23 So ...

24 SENATOR KRUEGER: Do you know if other

♀ 200

1 states that have had casinos have data like
2 that from their tourism and trade
3 associations? I'd be curious to know whether
4 there has been research done in other states
5 in the country.

6 MS. CHESTERTON: There may have been.
7 I'm not familiar with any -- again, it's not
8 something that we would have delved into, to
9 see how other states reacted. So ...

10 SENATOR KRUEGER: Thank you.

11 MS. CHESTERTON: You're welcome.

12 CHAIRMAN FARRELL: Questions? No?
13 Thank you.

14 CHAIRMAN DeFRANCISCO: Thank you very
15 much.

16 New York Water Environmental
17 Association, Chretien Voerg. Is that better?

18 MR. VOERG: Closer.

19 CHAIRMAN DeFRANCISCO: Closer. So
20 it's better.

21 MR. VOERG: Chretien Voerg.

22 CHAIRMAN DeFRANCISCO: Voerg. Okay.

23 MR. VOERG: I'm going to move this and
24 take some of this great municipal tap water.

♀ 201

1 Delicious tap water.

2 Yes, thank you for the opportunity to

3 speak before you today regarding the role of
4 public wastewater infrastructure in economic
5 development, the critical condition of this
6 municipal infrastructure, and the potential
7 public health, environmental, and economic
8 consequences from our failure to reinvest in
9 our communities' most important assets.

10 My name is Chretien Voerg. I am a
11 licensed professional engineer and have
12 dedicated the last 19 years of my life to
13 protecting the public health and the
14 environment for all New Yorkers. I currently
15 have the privilege of serving as
16 superintendent of the Town of Colonie's
17 Division of Pure Waters, a special district
18 with the responsibility of collecting and
19 treating sanitary wastewater for the
20 15th most populous township in the State of
21 New York.

22 I am also before you today as a
23 representative of the New York Water
24 Environment Association, an organization

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1 founded in 1929 by water professionals to
2 serve the best interest of the public by
3 promoting sustainable clean water management
4 through science, education and training. Our
5 members include more than 2,500
6 professionals, from New York State-certified
7 operators at small village treatment plants
8 in the Adirondacks to utility executives in

9 New York City, and from professional
10 engineers in Buffalo to scientists in Albany,
11 all dedicated to ensuring safe water for all
12 New Yorkers.

13 While our efforts are directed towards
14 protecting public health and the environment,
15 the secondary effects of wastewater
16 infrastructure investment include
17 unparalleled benefits to New York's economic
18 health. All New York businesses rely on
19 clean water for their employees and their
20 customers, but only 14 percent of all water
21 consumed is used for flushing toilets,
22 washing clothes, or preparing food.
23 Forty-six percent of all water consumed, and
24 a proportional amount of wastewater

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1 generated, is the result of manufacturing
2 processes.

3 Seven hundred gallons of water are
4 required to make one T-shirt, 2,000 gallons
5 of water are required to make one pair of
6 leather shoes, and more than 40,000 gallons
7 of water are required to produce one car.
8 One 12-inch semiconductor wafer requires
9 approximately 2,200 gallons of water to
10 produce, and Global Foundries, one of our
11 region's greatest success stories, is expected
12 to consume 5 million gallons of water a day
13 when it reaches full semiconductor
14 production.

15 Professional wastewater utilities
16 throughout New York efficiently collect,
17 transport and process all of this
18 residential, commercial and manufacturing
19 waste, ensuring the economic viability of our
20 region.

21 If it were not for the investment in
22 our wastewater infrastructure through
23 Governor Rockefeller's Pure Waters Program
24 50 years ago -- a \$7.3 billion investment in

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1 today's dollars -- the infrastructure to
2 collect and treat these wastes would not
3 exist and our lakes, rivers, and streams
4 would be the lifeless, festering, cesspools
5 of the early 1900s.

6 I cannot imagine New York being the
7 greatest destination for international
8 travelers in the United States or tourism
9 being the state's fourth-largest employer if
10 it were not for the benefits provided by
11 modern wastewater treatment. Whether touring
12 Ellis Island, sailing on Lake Erie, fly
13 fishing in the Adirondacks, or boating on the
14 historic Erie Canal, much of New York's
15 tourism relies on the clean, safe water
16 provided by wastewater collection and
17 treatment systems.

18 However, the wastewater infrastructure
19 necessary to provide these economic and
20 recreational activities is at risk. In fact,

21 the American Society of Civil Engineers' 2013
22 Report Card for America's Infrastructure
23 graded our wastewater systems a "D" based
24 upon the poor and aging condition of pipes

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1 and treatment systems.

2 There are more than 600 wastewater
3 treatment facilities servicing more than
4 15 million people across New York State.
5 These clean-water utilities provide a
6 critical, often overlooked, service to our
7 residents, businesses and visitors.

8 According to a 2008 analysis by the
9 New York State Department of Environmental
10 Conservation, 30 percent of the wastewater
11 collection systems in the state are beyond
12 their expected useful life, and the
13 investment needed to maintain current service
14 levels over the next 20 years is
15 \$20.2 billion, or an average of \$1 billion
16 per year.

17 Infrastructure, including water and
18 sewer systems, represents the largest
19 financial asset for a municipality -- yet
20 over the last 10 years, 10 percent or less of
21 total local government expenditures have been
22 directed towards infrastructure. This
23 situation is not for a lack of dedication of
24 local governments, but the result of

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1 difficult financial situations, state revenue

2 restrictions, and limited resources. But
3 whatever the cause, the result of
4 insufficient reinvestment remains unchanged.

5 Deferred investment leads to more
6 rapid deterioration of assets, reducing
7 service life and increasing both repair cost
8 and the economic impact to businesses.

9 Economic studies have shown that the
10 investment in infrastructure produces twice
11 as much economic activity as the level of
12 initial spending, and that investment in
13 water and sewer projects in particular
14 generates a greater return on investment and
15 stimulates the regional economy more than
16 other forms of infrastructure.

17 A study by the College of William and
18 Mary found that the short-term direct and
19 indirect impact from public infrastructure
20 investment was \$1.92 for every \$1 invested,
21 while the long-term marginal product specific
22 to water and sewer systems yields \$6.77 in
23 gross domestic product for every \$1 invested.

24 According to the U.S. Treasury,

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1 infrastructure investments create good-paying
2 construction and manufacturing jobs and are
3 overwhelmingly supported by the public. It
4 is estimated that a \$1 billion investment in
5 water and wastewater infrastructure can
6 create more than 26,000 jobs. And the
7 Department of Commerce estimates that for

8 each job created in the local water and
9 wastewater industry, 3.68 jobs are created in
10 the national economy.

11 The complexity of wastewater
12 infrastructure improvements requires the
13 combined efforts of planners, engineers,
14 equipment manufacturers, distributors,
15 contractors, and operators throughout the
16 supply chain. Seventy percent of the
17 nation's engineering firms and 90 percent of
18 general and heavy construction firms are
19 small businesses. And as we know, small
20 business is the backbone of the American
21 economy.

22 While our industry applauds the
23 formation of the \$3 billion Dedicated
24 Infrastructure Investment Fund from the

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1 \$5.4 billion in bank settlements, we are
2 concerned regarding the loose definition of
3 the word "infrastructure" in the current
4 description of the fund. Merriam-Webster
5 defines infrastructure as "the basic
6 equipment and structures, such as roads and
7 bridges, that are needed for a country,
8 region, or organization to function
9 properly." And we believe that the
10 traditional perception of infrastructure is
11 that of roads, bridges, water, sewer, rail,
12 and the like.

13 However, the current Dedicated

14 Infrastructure Investment Fund allocations
15 include \$400 million towards hospital
16 corporate restructuring, \$150 million for
17 terrorism and emergency preparedness,
18 \$150 million for municipal restructuring, and
19 \$50 million for agriculture.

20 Subtracting these and the earmarked
21 traditional infrastructure projects such as
22 the Tappan Zee Bridge and Penn Station rail
23 improvement projects from the \$3 billion
24 Infrastructure Investment Fund leaves only

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1 \$115 million for general infrastructure
2 investment which must be shared between
3 roads, rails, airports, seaports, economic
4 development and, though unnamed in the budget
5 summary, presumably water and wastewater
6 projects.

7 Based upon the need for investment in
8 wastewater infrastructure, the current
9 funding gap, the higher-than-average return
10 on investment for wastewater infrastructure,
11 and the percentage of good-paying jobs
12 created by wastewater investment, we believe
13 that a specific line item for wastewater
14 projects in the Dedicated Infrastructure
15 Investment Fund is warranted and an
16 appropriate share of the \$3 billion fund
17 should be allocated specifically for a new
18 Pure Waters Program.

19 In 1966, New York State led the nation

20 in its efforts to restore its waterways and
21 protect the public health through investment
22 in wastewater infrastructure. The secondary
23 effects of this investment were long-lasting
24 increased economic development and employment

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1 opportunities. It is once again time for
2 New York State to lead the way in wastewater
3 infrastructure investment by creating a
4 dedicated line item in the Infrastructure
5 Investment Fund for wastewater projects.

6 A new Pure Waters Program will create
7 a mechanism to restore New York State's
8 wastewater infrastructure to minimal
9 acceptable condition, safeguarding those
10 investments for this and future generations
11 while ensuring recreational opportunities,
12 increasing economic development, and creating
13 jobs.

14 Thank you again for the opportunity to
15 speak before you today. I am happy to answer
16 any questions you may have regarding the
17 economic benefits of wastewater
18 infrastructure investment or our position
19 regarding a new Pure Waters Program.

20 Thank you.

21 CHAIRMAN DeFRANCISCO: Thank you.

22 Senator Krueger.

23 SENATOR KRUEGER: I just want to thank
24 you, as the final speaker today, in reminding

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1 us that when government invests in our
2 infrastructure, it is not only a win for all
3 of us but it is real economic development as
4 well. So I appreciate your testimony.

5 MR. VOERG: Thank you, Senator.

6 CHAIRMAN DeFRANCISCO: Ditto, and I
7 agree with you entirely. We're separating
8 too many things out for various projects, and
9 we've got to separate it out by various
10 categories like wastewater treatment, roads,
11 bridges, or whatever. Or else we'll never
12 know what the standards are for picking and
13 choosing what's going to get funded and
14 what's not. And some -- one of those areas
15 is going to get ignored.

16 So thank you very much for testifying.

17 MR. VOERG: Thank you.

18 CHAIRMAN FARRELL: Thank you.

19 ASSEMBLYMAN SCHIMMINGER: If your
20 dream were to come true and this new program
21 were to be created, what would be the
22 appropriate sharing of the burden, of
23 the cost burden for a project be for a town,
24 Town X? Would the state fund 50 percent,

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1 Town X funds the other 50? How would --
2 what's the ideal? A hundred percent?

3 MR. VOERG: My goal in being here
4 today was to make sure there were funds
5 allocated. And should we get to that step, I

6 would imagine we would come up with some fair
7 allocation between the entire state -- there
8 are needs in New York City, there's needs
9 upstate, out in the western part of the
10 state -- to come up with a better mechanism
11 to applying those funds proportionately so
12 that, you know, the state benefits as a whole
13 rather than one specific region.

14 So my goal today is to secure those
15 funds first.

16 ASSEMBLYMAN SCHIMMINGER: The town
17 would be subject, of course, to the property
18 tax cap for its property tax revenues, right?

19 MR. VOERG: Yes. As we are now.

20 Thank you.

21 ASSEMBLYMAN SCHIMMINGER: Thanks.

22 Thank you.

23 CHAIRMAN DeFRANCISCO: Thank you very
24 much.

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1 CHAIRMAN FARRELL: Thank you.

2 CHAIRMAN DeFRANCISCO: And we're back
3 here tomorrow at 9:30 to start all over
4 again.

5 MR. VOERG: Thank you.

6 ASSEMBLYMAN SCHIMMINGER: Chretien,
7 thank you.

8 CHAIRMAN DeFRANCISCO: Higher
9 education tomorrow.

10 (Whereupon, the budget hearing
11 concluded at 4:17 p.m.)

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