



**Joint Legislative Budget Hearing
Empire State Development President, CEO & Commissioner Howard Zemsky
9:30 a.m., Wednesday, February 1, 2017**

Chairwoman Young, Chairman Farrell, and distinguished members of the Senate and Assembly: Good morning. I am honored to have the opportunity to appear before you today to discuss Governor Andrew Cuomo's 2017-2018 Executive Budget and its proposals for Empire State Development (ESD).

This year's budget focuses on strategies and investments that will create new jobs while continuing to strengthen and diversify New York's state and regional economies. By building upon the Governor's inclusive, regionally-focused approach to economic development and leveraging state funding and community assets with private investments, we will continue to create economic opportunities for all New Yorkers.

With support from the Legislature, New York State has achieved the lowest middle-class tax rate since 1947, the lowest corporate tax rate since 1968, and the lowest tax rates for manufacturers since 1917. Additionally, unemployment is down in all regions of the state – falling from 8.9 percent in 2010, to 4.9 percent today – while job creation is up. There are 7.96 million private sector jobs in New York State, an all-time high, with 869,600 added since 2011 – a number that continues to grow.

This year, Governor Cuomo has proposed \$750 million for another round of the Regional Economic Development Council (REDC) initiative. Since being established in 2011, the Regional Council's bottom-up process, which includes collaboration with legislators, has guided the State to invest approximately \$4.6 billion into more than 5,200 infrastructure, community development and job creation projects statewide, leveraging more than \$22 billion in private and other investment. This has resulted in commitments to create and retain more than 210,000 jobs throughout the state.

The Governor recently announced nearly \$40 million in awards through Round 4 of the Restore NY program which provides funding to municipalities for revitalization efforts. This funding, obtained with your support and approval, will help to reinvigorate downtowns and generate economic opportunity through rehabilitation of vacant and surplus properties.

Thanks to the Buffalo Billion and investments based on the region's strategic planning, Western New York is a region that has experienced a true economic revitalization. Instead of leaving Buffalo, young professionals are putting down roots in the Queen City at rates we haven't seen for decades. In order to capitalize on and sustain the economic progress stemming from the Buffalo Billion's tremendous success, Governor Cuomo has introduced Buffalo Billion Phase II. A proposed \$500 million investment focusing on improving workforce development, while expanding investments in downtown revitalization, life sciences and advanced manufacturing, and promoting continued growth of the innovation economy.



Access to high-speed Internet is critical to running a business in 2017, and the New NY Broadband Program intends to connect every New Yorker to high-speed broadband by the end of 2018. In 2015, the Governor and Legislature made a \$500 million commitment to broadband deployment, which is the largest and most ambitious state investment in the nation. To date, \$54.2 million has been awarded to 25 projects through Phase 1 of the program and significantly more commitment through Phase 2 expected soon.

The tourism industry has been booming in recent years and the Governor has proposed a commitment of more than \$55 million for tourism initiatives to ensure this growth continues. In 2015, the statewide economic impact of the tourism industry exceeded \$100 billion for a second straight year. This amounts to more than \$63 billion in direct visitor spending and an estimated \$8 billion in state and local tax revenue. We expect to exceed those benchmarks once again in 2016.

The Excelsior Jobs Program has issued nearly \$92.4 million in tax credits to 102 businesses since 2010, resulting in the creation of more than 10,000 jobs statewide. Through this performance-based program, we are able to stimulate job creation while maintaining oversight, ensuring that companies reach milestones before receiving incentives. The program has been critical to successfully attracting many companies and major projects, and the jobs they generate.

As outlined in the Governor's Executive Budget, we are proposing to refine the focus of the program currently known as START-UP NY, while continuing to promote partnerships between business and academia. In a few short years, the program has already received commitments from more than 200 companies to create nearly 4,500 new jobs throughout the state and invest approximately \$250 million. The Excelsior Business Program, as proposed, will admit early and formative-stage companies in targeted, high-growth industries while continuing to incentivize business growth and job creation for participating companies.

Furthering our investments in public-private partnerships, Governor Cuomo has introduced a \$650 million investment to spur growth in the life sciences industry. This comprehensive initiative includes \$250 million in tax incentives for new and existing life science companies, \$200 million to support the infrastructure needs of life science entities, and \$200 million of new investment capital for early stage life science firms. The first investment under this initiative will provide \$15 million to support the build out of the JLABS Innovation Center – a collaboration between Johnson & Johnson and the New York Genome Center with capacity for up to 30 life science startups.

Governor Cuomo has also proposed the Photonics Venture Challenge in Rochester – a \$10 million, multi-year competition and business accelerator program designed to support start-up companies that commercialize rapidly developing technologies. The Photonics Venture Challenge, which is the latest in a series of successful business competitions we've created Upstate, would present \$1 million to the most promising start-up company.



In recent years, Governor Cuomo and the Legislature have cut taxes significantly for manufacturers and we're taking our support for American manufacturing a step further with the Governor's "Buy American" proposal. Under the plan, state entities will give preference to American-made goods and products for procurements over \$100,000.

New York's commitment to Minority and Women-Owned Business Enterprises (MWBEs) has established the state as a national leader in MWBE business development. The number of certified MWBEs currently stands at nearly 8,000, with more than 5,000 certified since 2011. Key to the success of this program is the utilization of MWBE firms in state contracting, which most recently increased to over 25 percent, totaling nearly \$2 billion in contracts awarded to MWBEs in the 2015-16 fiscal year. This year's budget will extend the program through 2018.

The Executive Budget also includes a three-year extension of the New York State Film Tax Credit Program at the existing funding level. Since 2011, more than 1,000 film and television projects have submitted applications to the program, generating an estimated \$15 billion in spending and approximately 934,000 new hires in New York State. Additionally, the number of Qualified Production Facilities across the state has increased to 77, with more than 270 soundstages. The program continues to generate a positive return on investment while providing a boost to local small businesses.

Last September, Governor Cuomo directed ESD to oversee and manage SUNY Polytechnic Institute's portfolio of economic development projects. We immediately went to work on the process of assessing each project – engaging with businesses and project stakeholders, and reviewing related contracts and documentation. We have been managing myriad projects statewide and also achieved substantial reforms at SUNY Poly's economic development entities, Fort Schuyler and Fuller Road Management Corporations, which established greater transparency, accountability and integrity. ESD remains committed to ensuring that ongoing economic development projects continue to move forward, create new jobs and generate opportunities without unnecessary delays.

In closing, we've had a busy start to the New Year and ESD has a lot of work ahead — but that is when this agency thrives. The Governor's 2017 agenda is bold and continues to build on the progress and accomplishments that we have made together, aimed at making New York State a better place to live and work – and a far better place to do business.

We look forward to these new opportunities and working with you, our legislative partners, to move our economy ever upward.

Thank you again for this opportunity to testify. I will happily take your questions.

