



**Joint Legislative Budget Hearing
Empire State Development President, CEO & Commissioner Howard Zemsky
10:30 a.m., Monday, January 29, 2018**

Chairwoman Young, Chairwoman Weinstein, 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 2018-2019 Executive Budget and its proposals for Empire State Development (ESD).

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 4.6 percent today – while job creation is up. There are over 8 million private sector jobs in New York State, an all-time high, with more than 1 million added since 2011 – a number that continues to grow.

Together, the Empire State Development Corporation and the Department of Economic Development finance and manage key economic development projects and initiatives, and provide policy direction across the state. ESD's portfolio includes the administration of statewide and regionally-based economic development programs; marketing and advertising activities to promote tourism and doing business in New York State; strategic business investments; and the administration of programs to expand university-based research and technology.

This year's budget proposal 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.

The Executive Budget proposes \$750 million for an eighth 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 and regional stakeholders, has guided the state to invest approximately \$5.4 billion into more than 6,300 community development and job creation projects statewide, leveraging more than \$28 billion in private and other investment. This has resulted in commitments to create and retain more than 220,000 jobs throughout the state.

As part of this regional strategy, the state's \$1.5 billion investment in the Buffalo area economy is helping to create and retain jobs, and spur new investment and economic activity. Based on the impact we've seen from investment in Western New York, we have exported that successful strategy to other communities through the Upstate Revitalization Initiative (URI), which has awarded \$1.7 billion to seven Upstate regions to support transformative investments that build on regional assets and leverage private sector capital to create jobs and strengthen regional economies.



Providing communities with another tool to support comprehensive, targeted revitalization strategies, New York State has awarded \$10 million each to 20 communities through two rounds of the Downtown Revitalization Initiative (DRI) – a program administered by the Department of State, with key guidance provided by the REDCs. This year, Governor has proposed \$100 million to support Round III of the DRI.

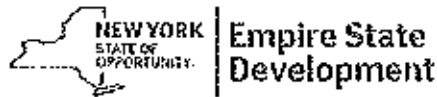
At ESD, we consistently hear from businesses that a diverse, quality workforce is a critical factor in their decisions on where to stay, locate or grow. Governor Cuomo has proposed \$175 million in funding, through the REDC process, to strengthen workforce development and prepare New Yorkers for the jobs of the future. These workforce investments would support strategic regional efforts that meet short-term workforce needs, improve regional talent pipelines, expand apprenticeships and address the long-term needs of expanding industries – with a focus on emerging fields with growing demand for jobs like clean energy, health technology and computer science.

Last year, Governor Cuomo launched a groundbreaking, \$620 million initiative to spur the growth of a new life sciences research cluster in New York, as well as expand the state's ability to commercialize research. Building on this initiative and an initial investment in a public health laboratory, the Executive Budget includes \$600 million to support construction of a world-class, state-of-the-art life sciences public health laboratory in the Capital Region that will promote innovative public-private research and development partnerships.

As we continue our efforts to support and grow the innovation economy across Upstate New York, regional initiatives will be critical in advancing the progress we're already making. To that end, the Governor is committing \$30 million to a Photonics Attraction Fund, which will encourage integrated photonics companies to set up their manufacturing operations in the greater Rochester area.

Access to high-speed internet is necessary for running a business in 2018, and the New NY Broadband Program intends to connect every New Yorker to high-speed broadband. 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. After two rounds of successful awards, this year we will address the remaining 2 percent of unserved New Yorkers through Round III, connecting more than 120,000 locations. This round is expected to catalyze more than \$360 million in total investment, including \$225 million in state funding. After Round III, it is anticipated that 99.9 percent of New Yorkers will have commitments for high-speed broadband access.

The tourism industry is booming: In 2016, the statewide economic impact exceeded \$100 billion for a third straight year, while directly supporting more than 900,000 jobs across New York State. This amounts to nearly \$65 billion in direct visitor spending and an estimated \$8.2 billion in state and local tax revenue. To ensure this growth continues, the Governor has proposed support for multiple programs and initiatives, including \$15 million



in competitive grants for the Market NY program, \$5.7 million for I Love NY, \$5.8 million for Taste NY agri-tourism, and \$3.8 million for tourism matching grants.

Additionally, the Governor has committed to providing the North Country region with tools and resources to bolster the regional tourism industry and catalyze private investment in lodging. ESD will commission a study to identify lodging development opportunities in the Adirondacks and Thousand Islands regions, and provide recommendations for how to utilize \$13 million to spur development activity.

The Excelsior Jobs Program has issued \$88.1 million in tax credits to 137 businesses since 2010, resulting in the retention of 53,295 jobs and the creation of more than 16,600 new jobs statewide. This performance-based program stimulates job creation while maintaining oversight, ensuring that companies reach milestones before tax credits are issued. The Excelsior program has been critical to successfully attracting many companies and major projects, and the jobs they generate.

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 over 8,600, with more than 6,600 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 27 percent, totaling over \$2.2 billion in contracts awarded to MWBEs in the 2016-17 fiscal year. This year's budget proposes extending the program through 2023.

In September 2016, 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, ESD is proud of both the work it does for New Yorkers and how much has been accomplished over the past year. The Governor's 2018 agenda is bold and we have much work ahead of us as we continue our efforts to attract business and investment, and spur development and job growth.

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

