

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

3 -----

4 JOINT LEGISLATIVE HEARING

5 In the Matter of the  
6 2018-2019 EXECUTIVE BUDGET ON  
7 ECONOMIC DEVELOPMENT

8 -----

9 Hearing Room B  
10 Legislative Office Building  
11 Albany, New York

12 January 29, 2018  
13 10:43 a.m.

14

15 PRESIDING:

16 Senator Catharine M. Young  
17 Chair, Senate Finance Committee

18 Assemblywoman Helene E. Weinstein  
19 Chair, Assembly Ways & Means Committee

20 PRESENT:

21 Senator Liz Krueger  
22 Senate Finance Committee (RM)

23 Assemblyman Robert Oaks  
24 Assembly Ways & Means Committee (RM)

25 Senator Phil Boyle  
26 Chair, Senate Committee on Commerce,  
27 Economic Development and Small Business

28 Senator Diane Savino  
29 Vice Chair, Senate Finance Committee

30 Senator Rich Funke  
31 Chair, Senate Committee on Cultural  
32 Affairs, Tourism, Parks and Recreation

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1 2018-2019 Executive Budget  
Economic Development  
2 2-29-18

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4 Assemblyman Fred W. Thiele  
Chair, Assembly Committee on Small Business

5 Assemblyman Michael Cusick

6 Assemblyman Harry B. Bronson

7 Senator Elaine Phillips

8 Senator Timothy Kennedy

9 Assemblyman Raymond W. Walter

10 Assemblyman Billy Jones

11 Assemblywoman Carrie Woerner

12 Assemblyman L. Dean Murray

13 Senator James Tedisco

14 Assemblyman Clyde Vanel

15 Senator Chris Jacobs

16 Assemblyman John T. McDonald III

17 Assemblywoman Crystal Peoples-Stokes

18 Senator John Bonacic

19 Assemblyman Peter A. Lawrence

20 Assemblyman Al Stirpe

21 Senator Martin Golden

22 Assemblywoman Patricia Fahy

23 Senator Robert Ortt

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1 2018-2019 Executive Budget  
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 2 1-29-18

3 PRESENT: (Continued)

4 Senator James Sanders, Jr.

5 Senator Leroy Comrie

6 Assemblywoman Alicia Hyndman

7 Assemblyman Clifford W. Crouch

8 Assemblyman Charles Barron

9 Assemblywoman Nily Rozic

10 Senator Todd Kaminsky

11 Assemblyman Robert C. Carroll

12 Assemblywoman Kimberly Jean-Pierre

13 Assemblyman William B. Magnarelli

14

15

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 President, CEO & Commissioner  
 19 Empire State Development  
 New York State Department of  
 20 Economic Development

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1                   CHAIRWOMAN YOUNG: Good morning.

2                   I'm Senator Catharine Young, and I'm  
3 chair of the Senate Standing Committee on  
4 Finance. Welcome to our hearing this morning  
5 on Economic Development.

6                   And pursuant to the State  
7 Constitution, the Legislature has the  
8 obligation to thoroughly review the  
9 Governor's executive proposal.

10                  I'm very pleased to be joined by  
11 several of our colleagues today. We have  
12 Senator Diane Savino, who is vice chair of  
13 the Senate Finance Committee. Also Senator  
14 Liz Krueger, who is ranking member. We are  
15 also joined by Senator Phil Boyle, who is the  
16 chair of the Economic Development Committee,  
17 Senator Tim Kennedy, Senator Jim Tedisco,  
18 Senator Chris Jacobs, Senator John Bonacic,  
19 Senator Marty Golden, Senator Elaine  
20 Phillips, Senator Rich Funke, and Senator  
21 Leroy Comrie there on the end. So thank you  
22 for joining us. And we also have joining us  
23 Senator Robert Ortt. So good morning.

24                  And I'm also joined by my esteemed

1           colleague who is chair of the Ways and Means  
2           Committee, and that's Assemblywoman Helene  
3           Weinstein.

4                   CHAIRWOMAN WEINSTEIN: Thank you,  
5           Senator Young.

6                   So we are joined in the Assembly by  
7           Assemblyman Cusick, Assemblyman Vanel,  
8           Assemblywoman Woerner, Assemblyman Bronson,  
9           Assemblywoman Crystal Peoples-Stokes,  
10          Assemblyman Al Stirpe, Assemblywoman Alicia  
11          Hyndman, Assemblyman Jones, and our ranker on  
12          Ways and Means, Bob Oaks.

13                   ASSEMBLYMAN OAKS: Yes, and we're also  
14          joined by Assemblymen Ray Walter, Pete  
15          Lawrence, and Cliff Crouch.

16                   CHAIRWOMAN WEINSTEIN: We also  
17          Assemblywoman Nily Rozic with us.

18                   CHAIRWOMAN YOUNG: Thank you.

19                   And we are joined this morning by  
20          Howard Zemsky, who is chair of the Empire  
21          State Development Corporation, and we look  
22          forward to your testimony.

23                   COMMISSIONER ZEMSKY: Great. Thank  
24          you very much.

1                   Chairwoman Young, Chairwoman  
2                   Weinstein, and distinguished members of the  
3                   Senate and Assembly, good morning. It's my  
4                   pleasure and privilege to have the  
5                   opportunity to appear before you today to  
6                   discuss Governor Andrew Cuomo's 2018-2019  
7                   Executive Budget and its proposals for Empire  
8                   State Development.

9                   With support from the Legislature,  
10                  New York State has reached some economic  
11                  milestones in the past seven years, leading  
12                  to an improved business climate and a  
13                  stronger economy for all New Yorkers -- the  
14                  lowest tax rates in decades, unemployment at  
15                  almost half what it was back in 2010, and  
16                  we've added more than 1 million jobs since  
17                  2011, for an a historic total of more than 8  
18                  million.

19                 ESD finances and manages key economic  
20                 development projects and initiatives,  
21                 reflecting the Governor's holistic approach  
22                 to economic development. Our investments are  
23                 guided by four strategic pillars.

24                 One, where we invest matters.

1 Place-based investments are revitalizing  
2 downtowns, creating places young adults will  
3 want to stay and that many of the young  
4 adults we lost upstate will want to return  
5 to.

6 Two, we're developing our workforce  
7 through training and aligning skills with  
8 jobs.

9 Three, we're supporting tradable  
10 sectors of the economy by providing  
11 businesses with loans, grants or tax credits  
12 so they can invest and grow jobs.

13 Four, innovation drives competitive  
14 advantage. We're fostering innovation  
15 through our programs that create synergies  
16 between research and commercialization,  
17 through business plan competitions and  
18 industry-university collaborations, through  
19 CATS and COEs and MEPS.

20 This year's Executive Budget proposal  
21 focuses on strategies and investments that  
22 will keep us on the path of job creation and  
23 strengthening New York's state and regional  
24 economies. The budget includes \$750 million



1 to fund an eighth round of the REDC  
2 initiative. Leading the Governor's  
3 regionally focused approach to economic  
4 development since they were established in  
5 2011, REDCs have awarded approximately \$5.4  
6 billion to more than 6300 projects,  
7 leveraging more than \$28 billion in private  
8 and other investments, and leading to  
9 commitments to create and retain more than  
10 220,000 jobs through the state.

11 \$100 million will support Round 3 of  
12 the state's Downstate Revitalization  
13 Initiative. Two previous rounds have awarded  
14 \$10 million each to 20 communities around the  
15 state.

16 \$175 million in funding through the  
17 REDC process will strengthen workforce  
18 development and prepare New Yorkers for jobs  
19 of the future.

20 \$600 million will help build a  
21 world-class, state-of-the-art life sciences  
22 public health laboratory in the Capital  
23 Region, promoting innovative public/private  
24 research, development partnerships, and

1 growing our life sciences sector.

2 Tourism is booming, with annual  
3 economic impact now exceeding \$100 billion.  
4 To ensure this growth continues, the Governor  
5 has proposed support for multiple programs  
6 and initiatives, including \$15 million in  
7 competitive grants for the Market NY program,  
8 \$5.7 million for I Love NY, \$5.8 million for  
9 Taste NY agri-tourism, and \$3.8 million for  
10 tourism matching grants.

11 This year we are also within reach of  
12 broadband for all, continuing with Round 3 of  
13 the New NY Broadband Program that will  
14 address the remaining 2 percent of unserved  
15 New Yorkers. I also want to note ESD's  
16 continued role since September of 2016 in  
17 overseeing and managing SUNY Polytechnic  
18 Institute's portfolio of economic development  
19 projects. We're committed to ensuring that  
20 ongoing economic development projects  
21 continue to move forward.

22 In the past year, ESD is proud to have  
23 had a role in major infrastructure projects,  
24 including Moynihan and Javits, a major role

1 in job creation in supporting business growth  
2 from start-ups to Fortune 500 companies, and  
3 in fostering a vibrant, diverse, competitive  
4 economy in New York.

5 I am extremely proud of Team ESD, who  
6 helped make it happen. It is my great honor  
7 to work with all of them. The Governor's  
8 2018 agenda continues to build on the  
9 programs and the progress we've made along  
10 the road to economic revitalization. We look  
11 forward to these new opportunities and  
12 working with all of you, our legislative  
13 partners, to move our economy ever upward.

14 Thank you.

15 CHAIRWOMAN YOUNG: Thank you,  
16 Commissioner, for that testimony. We really  
17 appreciate it.

18 I do have several questions. And as  
19 you know, the Legislature and the Governor  
20 are coequal branches of government. And  
21 since the Governor has taken office, billions  
22 of dollars have been spent on economic  
23 development projects all across the state.

24 Some of them have been successful, but

1       many of these projects have run into  
2       substantial issues, including far lower jobs  
3       than expected, companies backing out of  
4       projects after the state has spent millions  
5       building facilities for them, and various  
6       legal issues.

7               And it seems to me that in light of  
8       these issues, Empire State Development has  
9       frequently been unwilling to share  
10      information with the Legislature and the  
11      public on these projects. According to a  
12      2017 Comptroller audit, ESD failed to meet  
13      more than half of the statutorily mandated  
14      reporting deadlines for programs it managed  
15      between April 1, 2012, and September 30,  
16      2016.

17             So I had a question, because in the  
18      enacted agreed-upon budget last year, there  
19      was a requirement for ESD to release an  
20      annual comprehensive economic development  
21      report by December 31st. Is this report out?

22             COMMISSIONER ZEMSKY: No. It will be  
23      out this week. And that's my fault,  
24      truthfully. So we have tried hard to -- this

1 is a first-generation report. It is  
2 extraordinarily thorough, comprehensive and  
3 extensive. I have tried to capture calendar  
4 2017, which ends December 31st. I think  
5 you'll find it to be very thorough, very  
6 forthcoming, and very extensive. And you  
7 will get it by the end of this week for sure.

8 CHAIRWOMAN YOUNG: Thank you. We look  
9 forward to seeing that. Really appreciate  
10 it.

11 Actually, in the Governor's proposal  
12 there are hundreds of millions of dollars in  
13 various projects that are proposed, but  
14 there's very little information as to how the  
15 money actually will be spent. And I have  
16 several examples of that. And, you know, I  
17 think that the Legislature will be asking  
18 Empire State Development to give us more  
19 information on these, because we actually are  
20 falling down in our duties if we just do a  
21 blank check or rubber-stamp these funds  
22 without actually understanding what  
23 projects are going for.

24 So I'll give you just one example.

1       This year's Executive Budget contains  
2       \$300 million in new capital for  
3       High-Technology Innovation and Economic  
4       Development Infrastructure Programs. That's  
5       the name of it. When the Senate has asked  
6       the agency for additional information, or  
7       DOB, we can't seem to get much about what  
8       it's for.

9               So if you could educate us today:  
10       What is the program, and can these funds be  
11       used for SUNY Poly projects? That's question  
12       one.

13              COMMISSIONER ZEMSKY: Right. So the  
14       funds are intended for economic development  
15       projects that are high-tech, you know,  
16       next-generation economic development  
17       projects. We've put a big focus on that,  
18       obviously, particularly across the upstate in  
19       the SUNY footprint as we try to revitalize  
20       and really remake the economy there.

21              We have a number of I think potential  
22       opportunities as we go forward. It's hard  
23       for economic development projects to fall  
24       along the budget cycle perfectly. We have a

1           good opportunity to leverage the considerable  
2           investments the state has made, not just in  
3           nanosciences but in photonics, in 3D  
4           printing, in semiconductors, in a number of  
5           areas, where you make investments and then  
6           you hope you have the opportunity to leverage  
7           those investments alongside private partners.

8                       So we expect those will be exciting,  
9           impactful economic development projects that  
10          will -- that, you know, will materialize.  
11          We're in conversations with some, you know,  
12          companies that I think will provide great  
13          opportunity for us to do that.

14                      CHAIRWOMAN YOUNG:   So I believe that  
15          the Legislature in general would totally  
16          agree with the fact that we want to invest in  
17          high-tech projects.   That's the wave of the  
18          future.   It sounds to me as if you have an  
19          idea as to where these funds would be  
20          allocated -- but you're saying today that you  
21          can't educate the Legislature about where  
22          those funds would go?

23                      COMMISSIONER ZEMSKY:   Because they  
24          haven't been -- there hasn't been anything

1       finalized, it would be very difficult to  
2       identify exactly where. It's not geared  
3       toward any one area in particular, and it's  
4       not geared away toward any one area in  
5       particular. But I would expect it will, in  
6       all likelihood, occur across what we refer to  
7       as kind of the Erie Canal corridor, which has  
8       become kind of a burgeoning high-tech  
9       corridor from clean energy to photonics to  
10      semiconductor to power electronics.

11                So I would imagine -- you know, that's  
12      where you've seen a lot of these types of  
13      projects I think in recent years. In fact,  
14      this year's budget has fewer, you know,  
15      really massive construction projects that,  
16      you know, were more associated with SUNY  
17      Poly. So I think we are trying to -- and I  
18      think ESD, working with SUNY Poly, has done a  
19      good job of stabilizing and advancing many of  
20      these projects.

21                So I think we're trying to build on  
22      that success and continue to advance economic  
23      development opportunity. It would be a shame  
24      if we just stopped. We have a lot of



1 momentum. And we worked hard, Senator, to  
2 get back a lot of credibility with industry  
3 this year, and I'm proud of the job that we  
4 did working with business, reestablishing our  
5 credibility with industry in light of some of  
6 the disruptions that happened with some of  
7 those SUNY Poly projects. I think it was  
8 unsettling to everyone, and it certainly was  
9 to industry.

10 So now we're back, I feel like we're  
11 back. We worked hard with those businesses  
12 and others. And I think we have a good  
13 opportunity that we should, you know, be  
14 willing to take advantage of.

15 CHAIRWOMAN YOUNG: Thank you,  
16 Commissioner, for that answer.

17 Would SUNY Poly be involved with these  
18 upcoming projects?

19 COMMISSIONER ZEMSKY: SUNY Poly --  
20 it's neither -- the money is not geared for  
21 SUNY Poly, it doesn't come in the form of any  
22 types of grants to SUNY Poly.

23 The SUNY Poly is smack dab in the  
24 middle of some of the most exciting,

1 fast-growing technological developments of  
2 our time. And so whether you're talking  
3 about artificial intelligence or  
4 semiconductors or nanosciences across the  
5 board, that provides opportunity for the  
6 State of New York.

7           There are very few states, in truth,  
8 that are really seriously considered --  
9 California is one, Texas is one, New York is  
10 one -- for these types of 21st-century-  
11 industry development opportunities. So we  
12 should, I think, recognize that's in our  
13 sweet spot in New York. I think we've made  
14 investments in some of these sciences going  
15 back 20 years, and those are providing good  
16 opportunities for us.

17           So it wouldn't surprise me if some of  
18 the businesses look to SUNY Poly as partners  
19 in technology. We've got a research  
20 foundation there that's amazing. But you've  
21 seen us do projects from Dunkirk to Buffalo  
22 to Rochester to Syracuse to Albany to the  
23 North Country. So I expect it will be,  
24 generally speaking, in that footprint. And,

1           you know, it's not just semiconductors, it  
2           could be life sciences and other things.

3                   CHAIRWOMAN YOUNG: Thank you for that,  
4           Commissioner.

5                   And just to follow up on that, there's  
6           another big pot of money that's proposed by  
7           the Governor, and that's \$600 million for a  
8           second phase of a life sciences lab in the  
9           Capital Region, bringing the total value of  
10          this project to \$850 million. So if you  
11          could give us some more information. Where  
12          will this project be located? And if no  
13          location has been selected, why are we  
14          submitting \$850 million in the final plan?

15                   COMMISSIONER ZEMSKY: I think -- this  
16          year's budget I think has \$600 million of  
17          additional funding in it. And I think there  
18          was some designated in last year's budget.

19                   We have been working with Deloitte.  
20          This has been a collaboration with DOH. That  
21          report, I think, will be coming out shortly.  
22          I'd be surprised if it wasn't out over the  
23          next, you know, month or two.

24                   So, you know, when I talk to -- we've

1       been in conversation with a lot of  
2       businesses, and we've been looking with DOH  
3       at potential partnerships for what I know as  
4       Wadsworth. And I talk to these businesses,  
5       and I talk to the scientists, and what I  
6       continually hear is what a great group of  
7       people work there, what fabulous research and  
8       important work is happening there, and how  
9       run-down the facilities are.

10               So the life sciences has got to be one  
11       of the great growth opportunities of this  
12       century. And again, we have some amazing  
13       life science companies and research  
14       institutions. So as we think about the  
15       future, we should be thinking about life  
16       sciences and life science partnerships, we  
17       should be thinking about nanosciences,  
18       semiconductors, all kinds of rapidly growing  
19       industries.

20               They're excited about the prospect of  
21       partnering with and the investment the state  
22       is making in Wadsworth, potentially. And I  
23       think it will be great, great, great for the  
24       Capital Region in particular, for healthcare

1           across the state. But I think this provides  
2           a great opportunity. I can tell you we are  
3           excited about the potential, the very real,  
4           very exciting potential that the state's  
5           investment in life sciences, through  
6           Wadsworth and the Life Sciences Fund, is  
7           presenting to many of these businesses. And  
8           we're going to take advantage of that in a  
9           good way, I think, for the economy of the  
10          Capital District I think in particular, but  
11          really upstate and the whole state.

12                 CHAIRWOMAN YOUNG: That's good news.  
13          Thank you.

14                 Switching gears a little bit, I know  
15          that in Syracuse SUNY Poly spent \$90 million  
16          to build a new facility for a company called  
17          Soraa, and Soraa walked away from the deal.  
18          And now the state is proposing to spend an  
19          additional \$15 million to retrofit that  
20          facility for a company called NexGen, I  
21          believe.

22                 COMMISSIONER ZEMSKY: Right.

23                 CHAIRWOMAN YOUNG: Were there any  
24          clawback provisions for Soraa, since they

1           basically stiffed the state?

2                   COMMISSIONER ZEMSKY: Yeah, so let me  
3           unpack that a little bit and just go back,  
4           because, you know, I've lived through this  
5           very closely and I've had a lot of  
6           involvement with Soraa. I've gone out to  
7           visit Soraa, I've reviewed a lot of detailed  
8           confidential information about Soraa, I've  
9           had many conversations with the president and  
10          management team of Soraa, and I bring, I  
11          think, to the job 37 years of business  
12          experience. And this was very much a mutual  
13          decision between the state and Soraa.

14                   So I want to -- as somebody who's been  
15          intimately involved in it, I want to clarify  
16          that, this notion that Soraa walked away from  
17          the state. We agreed, after a lot of time  
18          together, that -- and I believe, and our team  
19          believes, that the economic development  
20          interests of the state, of Syracuse, of  
21          Central New York are best served by moving in  
22          a different direction with NexGen. I believe  
23          that with all my mind and all my heart, we're  
24          doing -- that I believe we're doing the right

1           thing there.

2                       So we could have a facility -- keeping  
3           in mind Soraa was delayed for many years, as  
4           many of these projects were. You know,  
5           people have asked me can't we sue them and  
6           can't we do this and can't we do that. And  
7           honestly, we're best served by trying to  
8           purpose that facility in a good -- give our  
9           community a good economic opportunity.

10                   CHAIRWOMAN YOUNG: What does NexGen  
11           do?

12                   COMMISSIONER ZEMSKY: NexGen does  
13           gallium nitride, which is sort of like  
14           silicon carbide, a next-generation substrate  
15           for use in power electronics in chips. So  
16           that facility has equipment that was intended  
17           for gallium nitride, which is what Soraa used  
18           for LED lighting.

19                   The universe of companies out there  
20           that use gallium nitride is not enormous.  
21           The facility could potentially sit  
22           underutilized for a long time. This felt  
23           right to us, and we were very proactive in  
24           terms of reaching out to NexGen and finding a

1           good opportunity, I think, for Syracuse.

2                   And obviously there are no guarantees.  
3           These are high-tech industries, they change  
4           rapidly. You know, there's high risk and  
5           there's high reward. But this is, I think, a  
6           good opportunity for Central New York. And  
7           the board is very experienced, I think  
8           management is experienced. I think we should  
9           work with them to do everything we can to  
10          help them be successful, and that's what  
11          we're trying to do.

12                   By the way, Soraa felt like they were  
13          shortchanged by \$30 million. They were  
14          looking for \$30 million additional dollars.  
15          It made no sense for us to step up and do  
16          that -- not just because \$30 million is a  
17          lot, but because I didn't think it was a good  
18          sensible additional investment.

19                   So while there is no guarantee, part  
20          of what we're doing, I think, with many of  
21          these projects is trying to seed or stock the  
22          pond with some next-generation industries.  
23          So I think we have the opportunity to do  
24          that. I think we've got good people and good



1 potential partners. And I hope we give it an  
2 opportunity to succeed. It's not easy to  
3 come by these companies.

4           You know, I'd like to say that there  
5 will be a day when all the high-tech  
6 businesses around the country are beating a  
7 path to Buffalo's door and Rochester's door  
8 and Syracuse's door and Utica's door, but we  
9 have to work with them to make it compelling.  
10 And we're trying to do that with NexGen.  
11 We're trying to purpose this facility in a  
12 positive way.

13           CHAIRWOMAN YOUNG: Thank you,  
14 Commissioner, for your candor and your  
15 answers on my questions. I'm going to go  
16 back for a second round, but at this point  
17 I'll turn it over to Chairwoman Weinstein.

18           CHAIRWOMAN WEINSTEIN: So I want to  
19 acknowledge some of our Assemblymembers who  
20 have come since we began the hearing:  
21 Assemblywoman Pat Fahy, Assemblyman Carroll,  
22 and the chair of our Small Business  
23 Committee, Assemblyman Fred Thiele.

24           And we'll go to Assemblyman Thiele for

1 the first found of questions.

2 ASSEMBLYMAN THIELE: Hi, Howard, how  
3 are you today?

4 COMMISSIONER ZEMSKY: Hey, how are you  
5 doing?

6 ASSEMBLYMAN THIELE: My first question  
7 has to do with arts and cultural facilities  
8 improvement. Last year there was \$20 million  
9 combined, I think, that went for arts and  
10 cultural capital funding, I think the first  
11 time that we've done that --

12 COMMISSIONER ZEMSKY: I'm sorry, which  
13 project?

14 ASSEMBLYMAN THIELE: Arts and cultural  
15 facilities. It was a \$20 million  
16 appropriation. I think some came from the  
17 Legislature, some came from the Governor.

18 Two questions with regard to that.  
19 One is, how was that money disbursed or  
20 awarded during the last year? And what is in  
21 this budget with regard to arts and cultural  
22 affairs for the coming year?

23 COMMISSIONER ZEMSKY: You know, we'll  
24 -- I'd have to give you a more detailed

1           breakdown of that. Some of that might go to  
2           the Arts Council. It shows up in ESD's  
3           budget but is in many ways managed by the  
4           Arts Council. Some of it might be REDC CFA  
5           awards.

6                        So I'm not -- you know, I'd have to  
7           give you a list of what projects got funded  
8           across the state with that money. I'm not  
9           sure offhand.

10                   ASSEMBLYMAN THIELE: All right. And  
11           with the Regional Economic Development  
12           Councils, what amount of funding is provided  
13           this year, and how does that compare with  
14           last year?

15                   And related to that, you know,  
16           certainly the issue of transparency and  
17           accountability was an issue with regard to  
18           the REDC. That's been a continuing bone of  
19           contention with the Legislature and the  
20           Executive. Anything in this year's budget  
21           with regard to that?

22                   COMMISSIONER ZEMSKY: So the REDCs  
23           have the \$150 million of capital funding for  
24           the high-priority projects and then another

1       \$70 million of Excelsior tax credit  
2       allocation. That's the same as previous  
3       years.

4               There's some additional capital for  
5       Workforce Development Initiative, additional  
6       funds for Workforce Development Initiative,  
7       that will be part of the REDC -- I think it  
8       will go through the REDC process.

9               And in total, it's like \$750 million  
10       for REDC. But as you know, that's money from  
11       state agencies, all of them, pretty much.

12              So the short answer is same as last  
13       year, same as the year before from ESD's  
14       standpoint. And I think in total as well.

15              You had a two-part question, and the  
16       second part related to how the REDCs are  
17       operating and transparency and things of that  
18       nature. So we are now tracking, I think,  
19       something like literally 6,200 projects. At  
20       least 6,000. I don't want to overstate it;  
21       it might just be 6,100 projects.

22              We have, you know, continually  
23       improved and upgraded the tracking system.  
24       And I know Senator Krueger has been following

1       this and must be very pleased to see how we  
2       have upgraded the tracking system. We are  
3       updating it now monthly. We have made it  
4       much easier to navigate. It has all the  
5       scores, it has a wealth of information by  
6       project. I would say we have never had, even  
7       close, as much information easily available  
8       on that many projects as we currently have  
9       available.

10               So let me say that, they're easy to  
11       track. And we're happy to provide additional  
12       information where it isn't available there,  
13       but it is extensive and it's updated  
14       regularly.

15               With respect to the members of these  
16       regional councils, you know, they are filling  
17       out statements of interest, we know where  
18       they potentially have conflicts. Not only do  
19       they reveal conflicts, but they also fill out  
20       information on some of their personal  
21       interests so that we -- and we keep those at  
22       ESD so that we can make sure there is no  
23       conflict in addition to them signing  
24       statements of conduct and conflict and

1 providing information.

2           So you've got a lot of people across  
3 the state that are actively engaged in  
4 revitalizing their community. And I think  
5 one of the great things about this REDC  
6 process is it has mobilized the community and  
7 a lot of talent in the community -- heads of  
8 universities, heads of the business  
9 community, not-for-profits, labor, a lot of  
10 political involvement where we can get folks  
11 in this meeting and throughout the state to  
12 participate. We look forward it.

13           So, you know, you've really activated  
14 the community to not only develop their  
15 strategic plans, but then to really help  
16 select the projects that align with those  
17 strategic plans. And I think we're seeing,  
18 across the state, great progress, great  
19 improvement in the economy.

20           So you've got members who are acting  
21 very professionally, with great integrity,  
22 serving as volunteers on these regional  
23 councils. And I've had the opportunity to do  
24 that myself, so I've seen it firsthand. But

1           it's happening all across the state. You've  
2           got a tracking system that's extensive and  
3           updated regularly and transparent.

4                       So I would say, from my standpoint,  
5           nothing has had a greater impact, nothing has  
6           had a greater positive impact on the state  
7           than the opportunity for folks, particularly  
8           in areas where I've lived for a long time  
9           that just, you know, struggled for decades to  
10          get -- what I often say, get off of the  
11          sidelines and onto the field of economic  
12          development. Empowering these regions to  
13          develop strategies and then help implement  
14          programs that align or projects that align,  
15          has had a greater positive impact than almost  
16          anything we could do. That's how I feel.

17                      ASSEMBLYMAN THIELE: Those statements  
18          of interest that they have to file that you  
19          keep on record, are those public records  
20          or --

21                      COMMISSIONER ZEMSKY: They're not  
22          public records. And keeping in mind that  
23          these folks are -- you know, they're not  
24          elected officials. They don't actually have

1           any statutory responsibility. Their  
2           decisions are advisory. A lot of these REDC  
3           decisions go to the state agencies for final  
4           review and scoring and implementation.

5                       So they don't have the authority you  
6           have, they don't have to fill out all of the  
7           personal disclosures that you do or that I  
8           do. So it is different. And we try to find  
9           the balance and we try to recognize the  
10          difference between having statutory  
11          responsibility and being a volunteer advisory  
12          participant.

13                      ASSEMBLYMAN THIELE: Just one last  
14          question. If you could just kind of update  
15          us on the timetable with the Islanders in  
16          Belmont and, you know, how long that process  
17          is going to take. What approvals are  
18          necessary? How is that process going to move  
19          forward?

20                      COMMISSIONER ZEMSKY: There's going to  
21          be, you know, a long period here, obviously,  
22          of community engagement in the EIS process.  
23          That will take some considerable time. I'm  
24          not a hundred percent sure the -- how many



1 months it will take, but it will take some  
2 not insignificant amount of months to get  
3 through that.

4 The construction process is going to  
5 be some years. So it will be a multiyear  
6 construction project. Obviously, you're  
7 talking about a billion-dollar investment,  
8 you've got a mixed-use investment there.

9 So the Islanders won't be playing in  
10 Belmont in 2019, but a few years later, I  
11 think. You know, it's a great opportunity.  
12 I'm a Long Islander myself. It's great to  
13 see the Islanders come back, and we're  
14 excited about the prospect.

15 ASSEMBLYMAN THIELE: Well, if you  
16 could find a way to work a few defensemen  
17 into this deal, it would be really helpful.

18 (Laughter.)

19 ASSEMBLYMAN THIELE: Thank you.

20 COMMISSIONER ZEMSKY: Sometimes I need  
21 defensemen at these hearings.

22 (Laughter.)

23 ASSEMBLYMAN THIELE: Thank you.

24 CHAIRWOMAN YOUNG: Thank you.

1                   We've been joined by Senator James  
2                   Sanders.

3                   And our next speaker is Senator Rich  
4                   Funke.

5                   SENATOR FUNKE: Thank you,  
6                   Commissioner, for being here this morning.  
7                   Appreciate it. We're all excited about  
8                   economic development when it works and it  
9                   creates jobs; we're disappointed when it  
10                  doesn't and when companies have to pull up  
11                  and pull out.

12                  Speaking of which, I want to go back  
13                  to NexGen for a moment.

14                  COMMISSIONER ZEMSKY: Sure.

15                  SENATOR FUNKE: There was a company in  
16                  Rochester, initially it was called Avogy,  
17                  which was part of the photonics group that  
18                  was going to operate in Rochester, with the  
19                  promise of the creation of hundreds of jobs,  
20                  if not more than hundreds of jobs.

21                  That very company left and restarted  
22                  as NexGen, which is the company that we are  
23                  now going to give another \$15 million to in  
24                  Syracuse. Why are you confident that this

1 particular company, which left Rochester, is  
2 going to be successful in Syracuse?

3 COMMISSIONER ZEMSKY: Well, let me  
4 again sort of go through some more detail on  
5 that. It's kind of easy to gloss over some  
6 important, you know, elements of what  
7 happened there.

8 So, number one, Avogy, the agreement  
9 that Avogy had was, you know, to use  
10 best-faith efforts to advance a project.  
11 There wasn't any contractual language. It  
12 was a kind of a memorandum of understanding  
13 in terms of where they were headed.

14 When ESD got involved with the SUNY  
15 Poly projects -- keeping in mind, like on a  
16 Tuesday we weren't involved at all and on a  
17 Wednesday we were involved in a big way --  
18 one of the first things I did was contact the  
19 CEOs of all the different businesses, and one  
20 of them was Avogy. And I talked to Avogy  
21 about, you know, what their plans were, about  
22 what their company was, and how the state  
23 could potentially help.

24 You know, they were very up-front

1       about the fact that they were in the process  
2       of reorganizing their business strategically,  
3       that they were not wanting any resources from  
4       the state at this point, that their business  
5       was in transition. And so we just, you know,  
6       left Avogy as it was. They had never made  
7       any commitments, in fairness, beyond really  
8       having a continued dialogue with the state  
9       and exploring opportunity.

10               So once the Soraa circumstances  
11       unfolded, I reached back out to Avogy and our  
12       team had been in touch with Avogy. Now a  
13       year had gone by, some not insignificant  
14       period of time, during which time Avogy did  
15       take some of the technology that they had,  
16       which again was gallium nitride, and  
17       reorganized their business and repurposed  
18       what -- refocused their mission.

19               They had gone from, you know, making  
20       power electronic computer equipment to  
21       making -- really focusing on gallium nitride  
22       semiconductors. So they went from a  
23       business-to-consumer model to a  
24       business-to-business model. I think they

1       learned a lot about their technology. They  
2       reconstituted some of their management,  
3       reconstituted and brought in some very  
4       impressive board members, and I think they  
5       have a much better opportunity.

6               But it's not just the same company  
7       under a different name. It has some new  
8       management, some new board members, it has  
9       the benefit of some experiences. You know,  
10      we're not and -- we haven't been,  
11      unfortunately, upstate a mecca for tech  
12      companies. We're turning the corner on that,  
13      but we don't have 40 years of experience with  
14      it. It's not unusual that a company will  
15      have a promising technology, start to deploy  
16      it in one manner, get feedback from the  
17      market and realize that they have to change  
18      direction strategically, financially.

19             And that's what they did. That's  
20      considered normal in many parts of the  
21      country. In places like California, those  
22      types of things happen all the time. I know  
23      that it, you know, raises eyebrows, but I  
24      think it's in reality a part of -- an

1        iterative part of business. And especially  
2        in emerging businesses, you start down the  
3        road, sometimes things unfold exactly as you  
4        imagine. Sometimes they don't. And I would  
5        say most of the time they don't. How you  
6        adapt to that change, how you adjust your  
7        business, how you take that feedback and try  
8        to find a path forward is an important part  
9        of success.

10            If I lined this -- filled this whole  
11        room with successful tech executives from  
12        across the country and asked them, every one  
13        of them would probably be able to stand up  
14        and talk about an idea they had, a business  
15        they started, something that didn't go the  
16        way they had originally imagined. And I  
17        think that was the case there. I don't think  
18        it's something we should highlight, overly  
19        highlight. I think it's important to note  
20        it. But I don't think we should judge the  
21        company based solely on that, or the people.

22            I think they have proprietary  
23        technology. You know, we've done our due  
24        diligence on gallium nitride. It is an

1       exciting technology. It does have the  
2       opportunity to provide faster speeds, lower  
3       heat, in an industry that is booming. And so  
4       I think it's an opportunity for Syracuse.  
5       It's not a guarantee, it's an opportunity.  
6       The fact that Avogy did not pan out as they  
7       had imagined is not unusual in the technology  
8       industry.

9               SENATOR FUNKE: There's been a  
10       significant investment in photonics in  
11       Rochester, both by the state and by the  
12       federal government. Is that unfolding the  
13       way you imagined? And specifically, do you  
14       still see that as an opportunity for  
15       manufacturing in Rochester, or do you see  
16       this now becoming more of an intellectual  
17       hub? And are we going to be able to, you  
18       know, make significant gains from the  
19       investments that we've made?

20              COMMISSIONER ZEMSKY: Well, I think it  
21       was always imagined as kind of an NMI,  
22       National Manufacturing Institute. It's  
23       always been a research collaboration, and  
24       also testing, packaging, advanced

1 manufacturing.

2           So that facility was stalled, as you  
3 know. It's been very much back on track.  
4 It's going to occupy some floors of the ON  
5 Semiconductor Building. We did an extensive  
6 process to determine the site. I think it  
7 has absolutely fabulous leadership now. It  
8 works collaboratively and not  
9 confrontationally with partners at SUNY Poly  
10 in Albany. I think we've got a great  
11 industry advisory board. Photonics, optics,  
12 sensor technology is right in the wheelhouse  
13 of Rochester.

14           So look, I think photonics, having  
15 that National Manufacturing Institute, being  
16 the center of that collaboration, having that  
17 TAP facility -- which will be completed  
18 actually this year, as you know -- will I  
19 think, you know, be the gift that keeps on  
20 giving for Rochester. That Rochester economy  
21 around optics, photonics, is fabulous and  
22 growing.

23           And, you know, we talk about that Erie  
24 Canal Corridor, talk about semiconductors,



1       you know, whether it's power electronics,  
2       silicon carbide, gallium nitride, photonics,  
3       these all have an interconnected science to  
4       them and opportunity. And Rochester is  
5       sitting pretty in terms of its role in that  
6       industry.

7               So I think it's going to be a great  
8       asset for Rochester for a long time to come.  
9       And I think it's back on track, very much so,  
10      with really strong leadership, good  
11      management, good science, and good  
12      collaboration.

13             CHAIRWOMAN YOUNG: Thank you.

14             SENATOR FUNKE: Thank you.

15             CHAIRWOMAN YOUNG: We've been joined  
16      by Senator Pam Helming.

17             Assemblywoman?

18             CHAIRWOMAN WEINSTEIN: Yes, and we've  
19      been joined by Assemblyman Charles Barron and  
20      Assemblywoman Kimberly Jean-Pierre.

21             The next Assemblymember to ask  
22      questions is Assemblywoman Woerner.

23             ASSEMBLYWOMAN WOERNER: Thank you,  
24      Chairwoman.

1                   Thank you, Mr. Zemsky. I have a  
2                   number of questions, the first one on the  
3                   life science initiative.

4                   So the Legislature added to the  
5                   definition of life sciences agriculture  
6                   biotechnology, a recognition that developing  
7                   commercialized -- helping New York be a  
8                   leader in commercializing plant varieties is  
9                   of benefit not just to our economy but also  
10                  to human health.

11                  In the Deloitte report that's coming  
12                  out in the next couple of months, will that  
13                  articulate how ESD will incorporate  
14                  agriculture biotechnology into the life  
15                  sciences initiative?

16                  COMMISSIONER ZEMSKY: You know, I'm  
17                  sure we will. We are actively involved with  
18                  Cornell, we're actively involved with  
19                  agricultural initiatives around hemp. We,  
20                  you know, see agriculture obviously as an  
21                  integral part of the economy. We often have  
22                  initiatives that are connected to  
23                  agriculture. I don't know if you're  
24                  specifically referring to some of the hemp

1 initiatives or something else.

2 ASSEMBLYWOMAN WOERNER: I'm not. I'm  
3 specifically referring to the efforts at  
4 Cornell to continue to innovate in plant  
5 sciences around developing seed varieties  
6 that will grow successfully in our climate  
7 and in a changing climate in New York.

8 COMMISSIONER ZEMSKY: Yes. I've been  
9 there this year, I've spent a lot of time  
10 with those folks. They do impressive work.  
11 I know that they're in conversations with  
12 their local region in terms of having some  
13 potential funding around plant sciences at  
14 facilities and things of that nature, so --

15 ASSEMBLYWOMAN WOERNER: And  
16 specifically, the life sciences money that's  
17 in this year's budget will include funding  
18 for those initiatives?

19 COMMISSIONER ZEMSKY: I don't recall,  
20 honestly, if the life science initiatives is  
21 at plant sciences. If you say it is, it is,  
22 I'm sure. But I just can't recall the  
23 statute offhand, if plant sciences and life  
24 sciences are interconnected in the statute.

1 ASSEMBLYWOMAN WOERNER: Okay.

2 COMMISSIONER ZEMSKY: But it's not the  
3 only way that we can fund worthwhile plant  
4 science initiatives. Again, we see Cornell  
5 as an anchor institution in upstate New York.  
6 It's not -- you can't just point to one  
7 region; they have extension services they  
8 provide in every county in the state.

9 So that's a remarkable ag institution  
10 not -- in the world and in the country. So  
11 we are very mindful of the role that plays,  
12 and agriculture plays. So whether it's in  
13 life sciences or whether it's elsewhere, we  
14 look forward to working with them.

15 ASSEMBLYWOMAN WOERNER: Okay. Thank  
16 you.

17 On that same theme, so we have  
18 10 business incubators around the state  
19 focused on technology. Not a single one of  
20 them is based in agriculture. And this  
21 summer I did some roundtables around  
22 agriculture production technology and  
23 discovered that companies that are being  
24 formulated out of technology developed in

1           Cornell are having to leave the state to  
2           access business incubators for agriculture  
3           out of state.

4                       So I found one that went to  
5           California, one that went to New Jersey,  
6           because none of our business incubators focus  
7           on agriculture and agriculture technology.  
8           Is this something you would like to address  
9           in the coming year?

10                   COMMISSIONER ZEMSKY:  It's something  
11           that, you know, you've brought to my  
12           attention.  I haven't thought about it, and  
13           no one has talked about it in terms of our  
14           incubators.

15                   We are, you know, working with farms  
16           all the time and we develop programs at the  
17           state for new farm initiatives, or we work  
18           with Cornell.  We've been, I think, very  
19           supportive of ag in general.  We're always  
20           working with businesses that are in  
21           agriculture in a variety of the regions,  
22           helping them expand, whether it's LiDestri or  
23           Kraft or -- the list is long and wide.  
24           Yogurt, milk production, you name it.  We

1 spend a lot of time trying to help grow the  
2 agricultural economy.

3 So, I mean, we're looking to explore  
4 all avenues of --

5 ASSEMBLYWOMAN WOERNER: Thank you.

6 COMMISSIONER ZEMSKY: -- growing ag.  
7 And if we're really shortchanging promising  
8 ag businesses and we haven't found ways to  
9 help them grow in New York, I assure you it's  
10 not on purpose. New York is an amazing,  
11 dynamic agricultural economy, with an  
12 ecosystem like Cornell and others. So, I  
13 mean, let's talk more about it. It's not  
14 anything that has been on --

15 ASSEMBLYWOMAN WOERNER: Thank you.

16 Before I run out of time, I want to ask one  
17 more question.

18 The Historic Preservation Tax Credits,  
19 you talked about place-based investments  
20 matter as one of the four pillars. The  
21 Historic Preservation Tax Credits, which have  
22 really generated a lot of public and private  
23 investment in our downtowns, are due to  
24 expire next year. These projects take a long

1           time through the pipeline. And the  
2           uncertainty that is caused by not renewing  
3           those tax credits this year is pretty  
4           substantial.

5                     I know that they are not reflected in  
6           the Executive's budget. Can you comment on  
7           why not?

8                     COMMISSIONER ZEMSKY: I can only  
9           comment that ESD's experience with historic  
10          tax credits is that they've played a  
11          significant role in helping drive the upstate  
12          economy and redevelopment.

13                    And I think the historic -- I don't  
14          believe the historic tax credits expire in  
15          the coming year. I would expect us to  
16          support historic tax credits. I know there's  
17          been some changes to the federal laws on  
18          historic tax credits --

19                    ASSEMBLYWOMAN WOERNER: Right.

20                    COMMISSIONER ZEMSKY: -- but we have  
21          been supportive and the Governor has been  
22          supportive and all of you have been  
23          supportive, I think, of historic tax credits.  
24          They're a very significant driver of

1           redevelopment, particularly in -- generally  
2           in downtown areas across the state.

3           ASSEMBLYWOMAN WOERNER: And we  
4           wouldn't want to see that pipeline dry up.  
5           And so that's why I was questioning whether  
6           it might not be wise to do the renewal this  
7           year so that there's certainty going forward  
8           for all of those who are making the  
9           investment in rehabilitation.

10          COMMISSIONER ZEMSKY: Yeah, there's no  
11          intention to eliminate -- certainly this  
12          administration has not had any intention to  
13          eliminate historic tax credits.

14          ASSEMBLYWOMAN WOERNER: Thank you.

15          CHAIRWOMAN YOUNG: Thank you.

16          Our next speaker is Senator Phil  
17          Boyle, who is chair of the Senate Standing  
18          Committee on Commerce, Economic Development  
19          and Small Business. Senator?

20          SENATOR BOYLE: Thank you, Madam  
21          Chairwoman. And thank you, Commissioner, for  
22          being here today.

23          Just a couple of quick questions.  
24          One, getting back to the High-Technology,



1           Innovation and Economic Development  
2           Infrastructure Program, do you view this as  
3           possibly being a competitive program? Part  
4           one of that.

5                     And number two, you mentioned the Erie  
6           Canal Corridor. Is it going to be regionally  
7           specific, or can anybody in any part of the  
8           state compete for these funds?

9                     COMMISSIONER ZEMSKY: No, it's not  
10          regionally specific. But it does relate to  
11          high-tech businesses. So it's not an RFP  
12          open competition, but it's something that  
13          we're obviously always evaluating -- how do  
14          we get the most economic development bang for  
15          the buck, what aligns with our strategic  
16          strengths.

17                    SENATOR BOYLE: Right. So along those  
18          lines, I think we have to compare apples with  
19          apples and oranges with oranges. But is ESD  
20          working towards a more standardized form for  
21          looking at job creation? I know the  
22          different areas have different ways they put  
23          the reports out. Can you comment on that?

24                    COMMISSIONER ZEMSKY: Yeah. I mean,

1       the regions I think do a great job, and you  
2       will find a lot of similarity and overlap  
3       between the way the regions report their  
4       economic development numbers. So I'm not  
5       sure if that's what you're asking, if the  
6       specific Regional Economic Development  
7       Council reports --

8                SENATOR BOYLE: Yeah, I'm asking are  
9       you looking to standardize the reports.

10               COMMISSIONER ZEMSKY: Yeah, so we  
11       provide a lot of statewide numbers, but the  
12       regions report on the performance of all  
13       their projects and the economic performance  
14       of their region. So we could look at further  
15       standardizing that, but we are, through DOL  
16       and through all kinds of sources, we are  
17       obviously tracking different regions.

18               SENATOR BOYLE: Okay. In light of  
19       some of the things that are happening this  
20       week in other areas of the state, I was  
21       wondering if ESD is taking steps towards  
22       making contracting more competitive and  
23       transparent.

24               COMMISSIONER ZEMSKY: I'm sorry, can

1           you say it one more time?

2                   SENATOR BOYLE:  What steps is ESD  
3           taking to making, you know, contracting with  
4           ESD more competitive, more transparent, to  
5           avoid some of the problems we've had?

6                   COMMISSIONER ZEMSKY:  I mean, are you  
7           talking about the Poly, some of the Poly --

8                   SENATOR BOYLE:  Yeah.

9                   COMMISSIONER ZEMSKY:  -- what role  
10          have we had in the Poly?

11                   I mean, ESD has had a very open and  
12          transparent -- and we have brought to bear on  
13          SUNY Poly all kinds of changes to the bylaws,  
14          to the Open Meeting Laws, to the FOIL  
15          adherence, to the whole process of  
16          procurement through -- you know, that we  
17          changed over the past year.  So there's been  
18          a lot of changes to the way Poly operates, I  
19          think for the better.

20                   And the concerns that I think you are  
21          referring to pre-September 2016, one of the  
22          first orders of business that we did was  
23          implement new bylaws, many new board members,  
24          adoption of new procurement policies.  All

1           the payments go through the Comptroller's  
2           office.

3                       We are -- it's a -- I can tell you we  
4           are proud of the degree to which we have  
5           changed and been part of positive change in a  
6           short time. And so yes, we have made a lot  
7           of changes in that respect to the projects  
8           that you're alluding to.

9                       SENATOR BOYLE: Okay. And I do  
10          appreciate some of the changes that have been  
11          made to the REDCs, making them a little more  
12          open and transparent. I think we might have  
13          a way to go to make it even more open and  
14          transparent.

15                      My last question is kind of a  
16          philosophic one. Don't -- just a brief  
17          answer. You're a businessperson, and many of  
18          us feel that perhaps the government shouldn't  
19          be choosing winners and losers with out  
20          economic development, we should lower taxes,  
21          lower energy costs, make New York State truly  
22          more business-friendly. And yet a lot of  
23          these funds are going towards picking winners  
24          and losers.

1                   You talked about NexGen and other  
2                   companies like that. We don't know really  
3                   what the next technology is that's going to  
4                   be the next big thing. What we can do as  
5                   legislators and administrators is to say  
6                   let's make it even, let the entrepreneurs  
7                   come in and invest. That's the way I feel.

8                   Your thoughts on it as a  
9                   businessperson?

10                  COMMISSIONER ZEMSKY: Yeah, I  
11                  understand, you know, your position on that.  
12                  And also I -- you know, I look at it as  
13                  somebody who's lived upstate for 37 years. I  
14                  can't sort of divorce the fact that I've --  
15                  what I've seen with my own eyes and the way  
16                  I've seen the state play a constructive role  
17                  in making very positive change.

18                  So I think, you know, if -- let's put  
19                  it this way. I'm grateful for the fact that  
20                  the state has taken a more active role in  
21                  economic development, in my opinion, in the  
22                  last seven years in upstate New York. We've  
23                  put in place some very purposeful strategies,  
24                  not just in Buffalo but across upstate. Long

1           Island, too, I think has had a big impact.

2                   And what we don't want is just  
3           survival of the fittest, right? Because, you  
4           know, you could sort of continue that line of  
5           thought and just say, Hey, look, if people  
6           just don't want to invest anything in  
7           upstate, so be it, that's just the way it is.

8                   So we don't want that to happen, and  
9           we don't want to just sort of take a  
10          completely laissez-faire attitude, because we  
11          were going downhill for 40 years. I mean, we  
12          kind of experienced that. You know, prima  
13          facie evidence is the economy of that place  
14          for 40 years. The fact that we stepped in  
15          and said, Hey, we're not doing that anymore,  
16          we're going to make very purposeful  
17          investments, we're going to stick our neck  
18          out on behalf of upstate, we're going to help  
19          some of these upstate areas tell a new story,  
20          you know, start new industries, give hope to  
21          more young people. It's not risk-free. It's  
22          not risk-free. But, you know, it's had a big  
23          impact. It's had a big impact.

24                   And there's no silver bullet. I mean,

1       there's no one project -- there is no one  
2       project, there is no one program that just  
3       remarkably transforms a place. Which is why  
4       we talk about it in holistic terms. You've  
5       got to create cool places, so we focus on  
6       downtowns. We just do. It's so important.  
7       And I've seen this. That's why you've seen  
8       it in Buffalo, but now in Rochester. It's  
9       great to see them talking about the local  
10      economy, saying, Let's, you know, rock the  
11      riverway. We're going to, you know, make the  
12      river supercool. That is so exciting for  
13      people in Rochester -- not just young people,  
14      but really important for young people.

15               We focus on workforce. Hey, we've got  
16      some retirement cliffs coming in a lot of  
17      important industries because we lost a  
18      generation of young people. We kept everyone  
19      my age, and then all the kids left, and so  
20      now it's hard to find people with the skills  
21      to fill the jobs as we start retiring. So  
22      that's really important, but it alone doesn't  
23      solve the problem. Revitalization alone  
24      doesn't solve the problem. Investing in

1 tradable sectors of the economy. Investing  
2 in innovation, Centers of Excellence,  
3 manufacturing essential partnerships,  
4 business plan competitions, START-UP NY.  
5 There's no one magical -- we've learned  
6 through our own experiences, there's no --  
7 we've seen this in Buffalo; there was always  
8 going to be that one project that was going  
9 to transform everything. It never worked  
10 that way.

11 But you have a plan, you believe in a  
12 kind of holistic approach, keep your head  
13 down, keep moving forward on all of those  
14 initiatives simultaneously -- we're making a  
15 big difference. We're making a big  
16 difference. And it's not just like we're  
17 making a big difference, you know, like, hey,  
18 every five years good things happen up there.  
19 They haven't happened for a very long time.

20 So the fact that it's happening now,  
21 after a lot of years of good planning and  
22 good implementation, I think says a lot about  
23 all of your willingness to stick your neck  
24 out on behalf of parts of the state that had



1 great stories and now are in need of new  
2 stories and are finding them. New future  
3 industries, new stories, new opportunity for  
4 the next generation. You've done that. The  
5 Governor's done that. I like to think ESD  
6 has been a partner in that. I think it's  
7 especially important not to turn our back.

8           So yeah, we could do things a lot of  
9 different ways, but I will say this to your  
10 original point. You know, you talk about  
11 economic development and picking winners and  
12 losers. I couldn't agree more. We don't  
13 really want to pick winners and losers. We  
14 really want these economies vibrant and to  
15 have the ecosystem of innovation and be  
16 magnets for young people. And that is  
17 absolutely true. That is absolutely true.

18           But we cannot just sort of say what it  
19 was in Buffalo 10 years ago: The last one to  
20 leave, turn out the lights. Last one to  
21 leave, turn out the lights. There was no  
22 real prospects there. So there's a balance.  
23 We don't want to be picking winners and  
24 losers all over the place, but we don't want

1       to just leave these places to suffer, what  
2       they had done for a long time. So we try to  
3       find the balance.

4               Most of the projects we support are  
5       really not companies. NexGen, they'll get  
6       some equipment that the state owns. They're  
7       not going to walk away with a \$90 million  
8       check or a \$15 million check. A lot of what  
9       we invest in is Centers of Excellence, AIM  
10      Photonics, Buffalo Manufacturing Works,  
11      Northland Workforce Development Center.  
12      These are things that all of the business  
13      community can take advantage of. The  
14      waterfront, that's for all of the community  
15      to take advantage of. Transit-oriented  
16      development for all of the community.  
17      Complete streets, it's for all of the  
18      community.

19             So much of what we do through REDC is  
20      not for any one company. It's not picking  
21      winners and losers, it's saying what's the  
22      plan, what's the philosophy, how do we make  
23      it happen, actually make it happen? And I  
24      think we're doing that in a way that we

1        hadn't done it for decades. We had a project  
2        that we supported here, and we had a project  
3        that we supported there. But you have a  
4        whole vision and plan now for these regions.  
5        I could literally sit here and read you  
6        articles from the upstate area, yesterday's  
7        Buffalo News. There are extraordinary things  
8        that people are writing in their own  
9        communities, that the newspapers are writing  
10       about the revitalization of their own  
11       communities.

12                We wouldn't have imagined it, we would  
13       not have imagined it eight years ago, and  
14       it's happening everywhere. It's fabulous.

15                SENATOR BOYLE: Thank you,  
16       Commissioner.

17                CHAIRWOMAN YOUNG: Thank you.

18                CHAIRWOMAN WEINSTEIN: We've been  
19       joined by Assemblyman Magnarelli.

20                And now to Assemblyman Vanel for a  
21       question.

22                ASSEMBLYMAN VANEL: Good morning,  
23       Mr. Zemsky.

24                So economic development, very

1 important, especially in this new age of  
2 high-tech and a high-tech future. I wanted  
3 to ask a question about, first of all, the  
4 backbone of a lot of these technologies,  
5 broadband and high-speed internet. The  
6 Governor proposed the New York Broadband  
7 Program, an ambitious program.

8 And according to reports, we're saying  
9 that we are 2 percent unserved of  
10 New Yorkers. But in my district in Southeast  
11 Queens, there are a number of places that are  
12 underserved, and places around -- other  
13 places around New York City, but also  
14 upstate. Rural upstate also doesn't have  
15 access to high-speed internet in some areas  
16 in 2018.

17 Are we employing small cell technology  
18 to be able to close that gap?

19 COMMISSIONER ZEMSKY: We are going to  
20 roll out, I think sometime in the very near  
21 future, the last round of broadband -- the  
22 broadband program. So by the time that  
23 happens, we will have identified and provide  
24 service to -- it's sort of like Ivory soap,

1           99 and 44/100s percent of the population.

2                       So I think we're getting very close to  
3           100 percent high-speed broadband. We've gone  
4           through two rounds of the broadband program.  
5           We have a third round yet to announce. That  
6           will be imminent. And I think that will get  
7           us to about as close to a hundred percent as  
8           you can get.

9                       ASSEMBLYMAN VANEL: Are there any  
10          stopgaps in rural New York and any stopgaps  
11          in New York City? Because I know New York  
12          City has a different situation with respect  
13          to Verizon as compared to outside New York  
14          City.

15                      COMMISSIONER ZEMSKY: Yeah, so we have  
16          a deal with Charter, right, with the Time  
17          Warner acquisition. They're going to be high  
18          speed to -- as part of that, the state's and  
19          the -- both federal and state approval. So  
20          that is -- they haven't -- not all of that  
21          has been completed yet. But between the  
22          commitments that Charter has made and between  
23          what will be three rounds of broadband, we'll  
24          have virtually 100 percent coverage across

1 the state, both urban and rural.

2 ASSEMBLYMAN VANEL: And with respect  
3 to new technology, are we doing anything with  
4 our high-tech innovation centers with respect  
5 to blockchain technology?

6 COMMISSIONER ZEMSKY: I am not, you  
7 know, not intimately familiar with where we  
8 are with blockchain technology, although it  
9 has certainly gotten a lot of attention over  
10 the last month. Do you own any bitcoin?

11 ASSEMBLYMAN VANEL: I do.

12 COMMISSIONER ZEMSKY: All right.  
13 You're buying lunch.

14 (Laughter.)

15 CHAIRWOMAN YOUNG: Thank you.

16 Our next speaker is Senator Tim  
17 Kennedy, who is ranking member on the  
18 Commerce, Economic Development and Small  
19 Business Committee.

20 SENATOR KENNEDY: Thank you,  
21 Chairwoman.

22 Thank you very much, Mr. Zemsky. And  
23 thank you for all of the work that you do on  
24 a daily basis across the state. Your

1           commitment is unmatched. We really  
2           appreciate our work with you.

3                   I want to take it out to Buffalo for a  
4           moment, talk about the Central Terminal.  
5           You've been a supporter of the CTRC, the  
6           Central Terminal Restoration Corporation,  
7           helping to secure ESD funding for the Urban  
8           Land Institute's study. And as you know,  
9           last month I sent the Governor a letter  
10          requesting \$5 million to be put into the  
11          Central Terminal through the second round of  
12          the Buffalo Billion, which would be used for  
13          professionalizing a staff there, but really  
14          to stabilize and put capital improvements  
15          into the infrastructure there.

16                   We know that the Governor has had a  
17          real focus on economic development on the  
18          East Side of Buffalo, and reinforcing core  
19          neighborhoods and historic assets, the  
20          Central Terminal providing an opportunity in  
21          the Broadway-Fillmore neighborhood to that  
22          end.

23                   I just want to see what your thoughts  
24          are on that funding proposal.

1                   COMMISSIONER ZEMSKY: Absolutely. We  
2                   have a -- and the Governor has made a strong  
3                   commitment to continuing the investments in  
4                   Buffalo, focused on East Side revitalization,  
5                   including some funds for regionally  
6                   significant assets like the Central Terminal.

7                   I think if you look at the corridors  
8                   that we're investing in, if you look at our  
9                   focus on Michigan, our focus on Jefferson,  
10                  Fillmore, Bailey and the assets there, the  
11                  Central Terminal fits into that. If you look  
12                  at our focus on historic preservation in  
13                  Western New York, our focus on, you know,  
14                  reactivating the most significant historic  
15                  architectural assets that that region has, it  
16                  aligns with all of our strategies. It aligns  
17                  with all of our strategies.

18                  So the reason we funded that study,  
19                  you don't step out and fund a study to talk  
20                  about how to advance a project without being  
21                  willing to then do some follow-on funding,  
22                  right? So that, I would say -- I'll leave it  
23                  at that. I know the Governor is very focused  
24                  on East Side revitalization. That is a



1           significant asset in the Central Terminal.  
2           We have worked closely with the board and the  
3           leadership. I know Assemblywoman  
4           Peoples-Stokes is similarly keenly interested  
5           in it, and we have met on it as well as you  
6           and I have. And it's a great community asset  
7           with great opportunity.

8                   SENATOR KENNEDY: So is that a  
9           commitment of funds from the Buffalo Billion,  
10          that second round of the Buffalo Billion, for  
11          Central Terminal restoration?

12                   COMMISSIONER ZEMSKY: Well, I think  
13          it's an indication that, you know, looking to  
14          continue to invest in the Central Terminal,  
15          assets like the Central Terminal, will be a  
16          high priority and is a high priority. I  
17          don't want to circumnavigate the process.  
18          There's a process where we're working closely  
19          with the City of Buffalo. We work closely  
20          with the Regional Economic Development  
21          Council. You know, I'm not a czar, at the  
22          end of the day, and -- so I'm trying to give  
23          you a sense of, you know, that I think it  
24          aligns strategically and I don't think -- you

1        know, I can't imagine anyone who would be  
2        really opposed to some investments in the  
3        Central Terminal.

4                SENATOR KENNEDY:    Thank you.

5                I want to get to MWBE and the priority  
6        that the state has put on MWBEs.    Can you  
7        talk about ESD and the commitment to making  
8        sure that the workforce development  
9        initiatives such as the Northland Corridor  
10       are making the MWBEs a top priority?

11               COMMISSIONER ZEMSKY:    It is.    I mean,  
12       there's no doubt that it is.    My gosh,  
13       there's the whole concept of that workforce  
14       development center in -- putting it at  
15       Northland, making it accessible to  
16       underserved -- that really embodies the whole  
17       Western New York strategy.    There's no  
18       project that we're prouder of.    So I think  
19       it's going to be fabulous.

20               I don't know if you've met -- we have  
21       a new director for that.

22               SENATOR KENNEDY:    Yup.

23               COMMISSIONER ZEMSKY:    Stephen Tucker  
24       came from Cincinnati --

1                   SENATOR KENNEDY: Impressive.

2                   COMMISSIONER ZEMSKY: -- great guy.

3                   We're already working with the  
4                   neighborhood and we're working with the city  
5                   to improve that whole area. We're putting in  
6                   training, we're -- the whole concept is  
7                   innovative. We've got wraparound services  
8                   attached to it so that, you know, we remove  
9                   all the barriers that people face when it  
10                  comes to getting workforce training so they  
11                  can enter the job market.

12                  I mean, you've got a lot of great  
13                  partners, not only in terms of providing the  
14                  workforce training but also all the services  
15                  that the people getting the training will  
16                  need in order to allow them to complete it  
17                  and to do it. So we're excited about it.

18                  SENATOR KENNEDY: So the Executive  
19                  Budget calls for five new positions to be  
20                  created within the Division of Minority and  
21                  Women's Business Development. Can you speak  
22                  to the focus of those positions?

23                  COMMISSIONER ZEMSKY: Certification,  
24                  recertification.

1                   SENATOR KENNEDY: And will they be  
2                   addressing the backlog?

3                   COMMISSIONER ZEMSKY: Yes.

4                   SENATOR KENNEDY: Perfect.

5                   COMMISSIONER ZEMSKY: Exactly.

6                   SENATOR KENNEDY: I have more  
7                   questions; I'm out of time, I'll come back.  
8                   Thank you.

9                   COMMISSIONER ZEMSKY: That is the  
10                  focus. So, you know, we have a lot of --  
11                  we've done a lot of outreach, we have a lot  
12                  of -- there's been a lot of growth of  
13                  certified businesses, thousands of new MWBE  
14                  businesses. We've been working hard to  
15                  reduce the backlog, and those positions will  
16                  be most welcome.

17                  CHAIRWOMAN WEINSTEIN: Thank you.  
18                  Assemblyman Bronson.

19                  ASSEMBLYMAN BRONSON: Good morning,  
20                  Commissioner. A couple of questions.

21                  In the Executive's budget briefing  
22                  book it indicated that since we started the  
23                  REDCs in 2011, we've awarded \$5.4 billion to  
24                  more than 6,300 projects. And this has,

3 Do you know how many of the 220,000  
4 are new and how many are retained jobs?

7 ASSEMBLYMAN BRONSON: Okay. And of  
8 those jobs, do you have a breakdown or does  
9 it include the temporary construction jobs of  
10 the project? Or is it just permanent jobs  
11 included there?

14 ASSEMBLYMAN BRONSON: Okay. Is that  
15 the kind of detail that we can expect when we  
16 get the -- you mentioned the report would  
17 probably be done by the end of this week.

19 ASSEMBLYMAN BRONSON: Is that the kind  
20 of detail that we can expect from that  
21 report?

23 ASSEMBLYMAN BRONSON: Okay, good.

1 transparency and as we make decisions on how  
2 we're going to spend taxpayer dollars.

3 Which then brings me back to following  
4 up on a question regarding the companies in  
5 Syracuse, Soraa and NexGen. The question was  
6 asked whether or not Soraa -- there was any  
7 clawback of the taxpayer assistance for that  
8 company. And you had indicated that there  
9 was a mutual decision to go in different  
10 directions, which I can appreciate.

11 But my direct question is, was that  
12 company subjected to a funding stream that  
13 had clawbacks attached to it?

14 COMMISSIONER ZEMSKY: Soraa -- there  
15 are no legal clawbacks to an agreement that  
16 never was executed, so ...

17 ASSEMBLYMAN BRONSON: All right. So  
18 that particular company did not include --

19 COMMISSIONER ZEMSKY: Right.

20 ASSEMBLYMAN BRONSON: But there are  
21 funding that goes through the economic  
22 development proposals, some of them, that  
23 have clawback provisions, is that correct?

24 COMMISSIONER ZEMSKY: Yeah.

1           ASSEMBLYMAN BRONSON: Okay. Has there  
2           been any investigation by your office to  
3           extended clawback provisions to all of the  
4           economic development funding streams?

5           COMMISSIONER ZEMSKY: We have  
6           clawbacks to most all of our economic  
7           development projects. Most of them,  
8           truthfully, are -- you don't get the -- like  
9           Excelsior tax credit, you don't actually get  
10          the tax credit unless you meet your  
11          objectives.

12          So we are very -- ESD is very  
13          accustomed to dealing with that and  
14          implementing it. We've taken over a bunch of  
15          projects that were not of our initial  
16          construct, and we've done the best we can to  
17          both get rent where they hadn't necessarily  
18          had rent provisions in the past or get the  
19          company to commit to capital investments  
20          where they didn't necessarily have capital  
21          investment commitments in the past.

22          Soraa didn't have any capital  
23          investment commitments. NexGen does. Soraa  
24          didn't have any rent payment. NexGen does.

1 I mean, those are the kinds of provisions  
2 that we're accustomed to dealing with and  
3 look to include and impose.

4 ASSEMBLYMAN BRONSON: Okay. Under  
5 your tenure, has any company been subjected  
6 to clawback provisions?

7 COMMISSIONER ZEMSKY: Sure. Of  
8 course. People who didn't make some of  
9 their, you know, job commitments, we do -- we  
10 have, of course.

11 ASSEMBLYMAN BRONSON: All right. And  
12 is that area something that would also be  
13 included in the report that you're generating  
14 for us?

15 COMMISSIONER ZEMSKY: I don't recall.  
16 We were just following the statute of what  
17 the report calls for. It's extensive, and  
18 we're spending a ton of time on it. So ...

19 ASSEMBLYMAN BRONSON: Okay.  
20 Photonics, I know Senator Funke asked a  
21 couple of questions about this. There's a  
22 dedicated \$30 million to a so-called  
23 Photonics Attraction Fund, and the  
24 Executive's briefing book indicated that's



1           going to be administered through the  
2           Finger Lakes Regional Economic Development  
3           Council.

4                     Any more specifics on where those  
5           funds are going to go or how you envision we  
6           strategize a way to build on our photonics  
7           presence?

8                     COMMISSIONER ZEMSKY:  Yeah, I think  
9           it's intended to build more private-sector  
10          partnerships on the photonics cluster.  
11          You've got a photonics cluster, you've got,  
12          you know, the ecosystem around AIM and TAP.  
13          And there's a great opportunity I think for  
14          us to do some outreach and, you know, see  
15          what we can do to attract some exciting  
16          photonics-related companies from potentially  
17          around the country.

18                    So it's not -- I think the funding is  
19          intended to come from potentially the URI  
20          funding.  I don't believe it's a separate  
21          line-item budget funding.  But I think it  
22          kinds of lays out our intention to double  
23          down on photonics in the Rochester  
24          Finger Lakes region.

1                   ASSEMBLYMAN BRONSON: Thank you,  
2                   Commissioner. That's an exciting area, in  
3                   the Rochester area. I appreciate your work  
4                   on it. I have other questions regarding  
5                   workforce development, but I'll come back.  
6                   My time is up.

7                   SENATOR KRUEGER: Thank you.  
8                   Senator Marty Golden.

9                   SENATOR GOLDEN: Thank you, Madam  
10                  Chair. Thank you, Commissioner.

11                 My two questions are based on the  
12                 working incentives, workable incentives for  
13                 the -- workable incentives for the gaming  
14                 industry, which is costing New Yorkers over a  
15                 quarter of a billion dollars per year. We're  
16                 talking about jobs, we're talking about real  
17                 economic development, we're talking about  
18                 jobs from Brooklyn to Buffalo to Montauk.  
19                 And the longer we delay giving these  
20                 incentives, the more we see these jobs going  
21                 to the incentivized states such as Texas,  
22                 California, Louisiana, and others.

23                 We want to stop that bleeding. We  
24                 need to bring that money into our state, into

1           our coffers here, and to keep our children  
2           and our future workforce here in the State of  
3           New York.

4                   I'm hoping that there are some plans  
5           within your budget to advance something in  
6           the digital gaming industry. You've seen  
7           what \$25 million did some years ago to the  
8           film tax credit. It has done great things  
9           for this great state, bringing in great  
10          revenues and increasing jobs. Digital gaming  
11          is nine times the size of film.

12                   Do you think we can get something  
13          going this year in digital gaming, sir?

14                   COMMISSIONER ZEMSKY: We're -- I know  
15          we're going to really look to find, if it's  
16          not in the budget, find ways to fund those  
17          digital gaming hubs. We've got some, you  
18          know, great gaming hubs around the state.

19                   And we can work with digital gaming  
20          companies who are looking to make investments  
21          and potentially add employment in a number of  
22          different ways, all the ways that we can do  
23          from time to time. Maybe it's START-UP,  
24          maybe it's Excelsior tax credits, things like

1           that.

2                       So we're accustomed to helping to grow  
3           companies with good prospects where they're  
4           adding employment, which is really what this  
5           is all about. And I think the digital  
6           gaming -- but from a tax credit standpoint, I  
7           think it's -- you know, this year's rough  
8           sledding, to say the least.

9                       SENATOR GOLDEN: If you take a look at  
10          the gaming, it's flatlined. You have three  
11          hubs, NYU, RIT, and RPI. Those hubs are  
12          incentivized because of the money that we put  
13          into those three hubs. But if you take a  
14          look at what's going on across the state,  
15          we're losing jobs and companies -- even the  
16          companies that are going into these three  
17          hubs are leaving after a couple of years, if  
18          not after a year.

19                      COMMISSIONER ZEMSKY: The state is  
20          doing -- you know, generally speaking, you  
21          know, we've seen some studies, the state is  
22          doing well on employment in digital gaming.  
23          But we should, have and will work with  
24          companies in digital gaming to do everything

1           we can to keep them here.

2                   I know it's a growing industry in  
3           Troy, in the Capital District; it's a growing  
4           industry in New York City, of course, and in  
5           Rochester, to name a few. Those are perfect  
6           opportunities for us to engage with those  
7           companies, and I know that you'll help spread  
8           the word too that ESD has a lot of ways to  
9           help companies grow. But we're eager to.  
10          That is in our sweet spot, you know, of  
11          gaming, digital, rapid growth.

12                   SENATOR GOLDEN: The only reason I  
13          bring it up, sir, is because we have the  
14          biggest institutions when it comes to  
15          teaching and putting this industry forward,  
16          and yet we are losing them to incentivized  
17          states, like I said before, of California,  
18          Louisiana, Texas and others. Even our border  
19          states.

20                   We have to do more. And if we don't,  
21          we're just going to continue to lose that  
22          train, not only on the bottom, where we could  
23          have a net positive, we're having a net  
24          negative.

1                   I'd like to go to my next question. I  
2                   don't want to continue down this path.  
3                   Hopefully that yourself, sir, and the  
4                   Governor can help us in incentivizing this  
5                   industry so that we can keep this industry  
6                   and grow this industry. The three hubs are  
7                   not making it happen. The three hubs are  
8                   working, they're good, they are creating  
9                   jobs. But once those jobs are created, they  
10                  leave. We have to find a way to keep them  
11                  here. So I appreciate your focus on that if  
12                  you can, sir.

13                 COMMISSIONER ZEMSKY: No, I enjoyed  
14                 going to that gaming trade conference in  
15                 New York City this year.

16                 SENATOR GOLDEN: Great job.

17                 COMMISSIONER ZEMSKY: And you can just  
18                 see it's great, young people, it's growing.  
19                 For New York, it's the intersection of media  
20                 and digital, it's perfect. It's right in our  
21                 sweet spot. So it's a great opportunity, we  
22                 recognize it as a good opportunity, and we're  
23                 eager to work with companies to help them  
24                 grow.

1                   SENATOR GOLDEN: Thank you.

2                   My last question is the deferral of  
3                   the START-UP companies, the tax deferral.  
4                   This START-UP, there is arguments about  
5                   whether it's working or not working. I  
6                   believe it's working. I believe that it's  
7                   heading in the right direction. But once you  
8                   start to take away the -- and you defer the  
9                   taxes to that industry, you're actually  
10                  compromising START-UP NY.

11                  And that's just one of the deferrals.  
12                  We have companies that made deals to stay  
13                  here with their boards and with their  
14                  companies to keep jobs here and to keep  
15                  companies flourishing with the wage deferral.

16                  Those two deferrals, I think they're  
17                  negatives for our state. And we need to be  
18                  able to keep both those tax credits  
19                  incentivized today. You want to keep those  
20                  START-UP companies here. You want to create  
21                  more START-UP companies. But if you defer  
22                  the tax credit, they're going to defer to  
23                  another state.

24                  Any comment on that?

1                   COMMISSIONER ZEMSKY: I know some of  
2                   the tax credits -- the deferrals are those  
3                   credits that are in excess of \$2 million.  
4                   And the majority of our tax credits not  
5                   \$2 million, are under, so -- and most of our  
6                   programs don't get impacted by it. But there  
7                   are some.

8                   And, you know, we hate to see,  
9                   obviously, deferral of tax credits. And we  
10                  hate to see, you know, budgets that require  
11                  compromises. So we're, you know, doing the  
12                  best we can.

13                 SENATOR GOLDEN: Thank you, sir.

14                 CHAIRWOMAN YOUNG: Thank you.

15                 CHAIRWOMAN WEINSTEIN: Assemblywoman  
16                 Crystal Peoples-Stokes.

17                 ASSEMBLYWOMAN PEOPLES-STOKES: Thank  
18                 you, Madam Chair.

19                 And thank you, Mr. Zemsky, for your  
20                 detailed presentation this morning. I  
21                 imagine you're going to be here a little bit  
22                 longer, so I'm not going to repeat some of  
23                 the issues that Senator Kennedy brought up --  
24                 because, as you know, they are of high



1 importance to me as well, as relate to the  
2 Buffalo district.

3 But I will just mention the disparity  
4 study and the fact that it actually said that  
5 there is a disparity in the workforce in  
6 New York State as well, and that the Governor  
7 has targeted his budget towards dealing with  
8 that. Could you speak a little bit more  
9 specifically how that's going to be handled?

10 COMMISSIONER ZEMSKY: Well, the  
11 disparity study really is and the  
12 recommendations of the disparity study are --  
13 play an integral role in the legislation that  
14 will hopefully, assumedly, ultimately pass to  
15 extend and enhance the MWBE program. And  
16 there are several recommendations. I think  
17 you're referring to maybe some of the  
18 recommendations in the new disparity study  
19 which talks about --

20 ASSEMBLYWOMAN PEOPLES-STOKES: As it  
21 relates to workforce.

22 COMMISSIONER ZEMSKY: Yeah, which  
23 talks about -- and correct me if I'm wrong if  
24 I'm misstating this, but it talks about not

1           only potentially having the MWBE program  
2           applied toward ownership of the different  
3           vendors, but the workforce on the projects.

4                       And so that's a recommendation in the  
5           new disparity study. And that's one of  
6           several recommendations, right? So there's  
7           recommendations around local government, MWBE  
8           goals and workforce on projects.

9                       And the Governor has, you know, put in  
10          an executive order that's started to collect  
11          information, current, on some of these  
12          projects. There's a number of initiatives  
13          that are designed to continue to advance MWBE  
14          participation, both as ownership and as  
15          workforce.

16                      ASSEMBLYWOMAN PEOPLES-STOKES: And the  
17          workforce as well, which I think is  
18          commendable. There have been, you know, a  
19          lot of thoughts around the fact that there is  
20          available workforce that doesn't get access  
21          to the jobs. And so that, you know, that the  
22          state is willing to actually look into that  
23          with some detail and put resources around  
24          providing the training, if necessary -- I

1 think that it's a great opportunity.

2 I will, however, ask a little bit  
3 about the waivers. How many waivers were  
4 actually given for MWBEs in 2017?

5 COMMISSIONER ZEMSKY: We're going --  
6 I'm going to have to get back to you with the  
7 specifics, someone on our team.

8 ASSEMBLYWOMAN PEOPLES-STOKES: Okay.  
9 Because hopefully that number is decreasing,  
10 because it has been really high in some past  
11 years.

12 The other question I would ask is  
13 regarding daycare and if, in fact, ESD is  
14 beginning to look at daycare as an economic  
15 development tool. Because obviously when,  
16 you know, women have places where they can  
17 safely send their children, one, they can  
18 grow a business and/or they can be a part of  
19 a workforce.

20 And so has ESDC begun to look at  
21 economic development around daycare issues as  
22 a tool?

23 COMMISSIONER ZEMSKY: So what I would  
24 say is if you look at a lot of the REDC and

1 CFA and different projects, there's an  
2 increasing recognition -- and, in some cases,  
3 funding of projects that -- for example, the  
4 Workforce Development Center in Buffalo is  
5 going to provide wraparound services  
6 including daycare. And there are some  
7 projects in Rochester that have been funded  
8 and supported around Rochester, Monroe,  
9 antipoverty initiatives that include daycare  
10 funding.

11 So it has been -- there have been  
12 several projects around the state. It does  
13 align increasingly with the regions' attempts  
14 to make sure that there's as much employment  
15 opportunity as possible and recognizing some  
16 of the barriers that preclude or prevent  
17 employment from some underserved parts of the  
18 community.

19 So I see it, I see it in some of the  
20 projects that we support. And we'll have an  
21 annual report that lays out some of the  
22 workforce development strategies and  
23 initiatives that we've funded, and I think  
24 you see it in some of those. So I think with

1           every passing year there's a -- I see more  
2           and more projects that speak to issues around  
3           daycare.

4                   ASSEMBLYWOMAN PEOPLES-STOKES: Great.  
5           I think we need some additional looks at  
6           that. I appreciate what you've already done  
7           with it, but I do know that the largest part  
8           of our population in the State of New York is  
9           women. And, you know, if we really are going  
10          to engage the entire workforce, then we have  
11          to make sure that there's good daycare  
12          available. So thank you for your look into  
13          that, and we'll be following up with you on  
14          that.

15                   COMMISSIONER ZEMSKY: Okay.

16                   ASSEMBLYWOMAN PEOPLES-STOKES: Thank  
17          you.

18                   COMMISSIONER ZEMSKY: Thank you.

19                   CHAIRWOMAN YOUNG: Thank you.

20                   Our next speaker is Senator Elaine  
21          Phillips.

22                   SENATOR PHILLIPS: So good afternoon,  
23          Commissioner. I have two questions for you.

24                   But before I ask my questions, I want

1           to thank you and your staff for the focus on  
2           the Belmont project. This is the type of  
3           economic development that community not only  
4           needed but deserved. And your focus on  
5           community input is duly noted and greatly  
6           appreciated. And I will say working with  
7           your staff has been a pleasure, really has  
8           been a pleasure.

9                   COMMISSIONER ZEMSKY: Thank you very  
10          much. Can we just conclude the meeting at  
11          this point?

12                   (Laughter.)

13                   COMMISSIONER ZEMSKY: That was  
14          beautiful, thanks.

15                   SENATOR PHILLIPS: So let's talk about  
16          other areas of Long Island, though, too.

17                   (Laughter.)

18                   SENATOR PHILLIPS: So the Long Island  
19          Index indicates that growth on Long Island is  
20          going to be stagnant or at least flat.  
21          Obviously, before the federal tax change.

22                   In manufacturing alone, we have 3,000  
23          manufacturers, 400 of which are in my Senate  
24          district. And these are companies that have

1 indicated that they are staying. They are  
2 not leaving New York State, they are staying,  
3 they are staying right on Long Island. But a  
4 lot of these manufacturers are having a  
5 situation where their workforce is aging out.

6 COMMISSIONER ZEMSKY: Bingo.

7 SENATOR PHILLIPS: Yeah, bingo is  
8 right.

9 So what is ESD -- or how can we work  
10 together to provide the right type of  
11 incentive to make sure that these companies  
12 have job creations, might be replacing job  
13 workforce, and incentives to continue to  
14 expand? So not just for new manufacturers,  
15 but these are existing manufacturers.

16 COMMISSIONER ZEMSKY: Right. And  
17 that's -- you know, that focus on workforce,  
18 we are -- the whole state right now is  
19 bumping up against the same issue. It may be  
20 a little more pronounced on Long Island, but  
21 it's everywhere, it really is. And our  
22 ability to continue to grow the economy in  
23 part is going to depend on solving some of  
24 these issues around demographics and

1 retirement cliffs and the workforce.

2 So working with community colleges,  
3 working with not only community colleges but  
4 also private colleges, non-for-profits that  
5 are providing workforce training, anything we  
6 can do that can help provide workforce  
7 training in targeted industries that align  
8 with the economic strategy of Long Island.

9 You've got a number of pharmaceutical  
10 manufacturers on Long Island; you might be  
11 referring to some of them or alluding to some  
12 of them. We will continue to focus on  
13 providing workforce skills.

14 We continue to focus on downtowns, and  
15 I come back to this. I know I drive some of  
16 you crazy with this, but it's so important to  
17 have places that young people want to stay  
18 and come back to. I grew up on Long Island,  
19 by the way, so I get it.

20 We're seeing that now we've got to  
21 have housing that young people can afford to  
22 live in, you've got to have vital downtowns,  
23 you've got to have -- you know, you've got to  
24 value transit. You've got to just create a



1 place where young people don't say "I can't  
2 wait to leave" and take the train and move to  
3 New York City, as much as we love New York  
4 City.

5 But we have to combat it in a number  
6 of different ways. So there's no one magic  
7 silver bullet. We have to make it possible  
8 through infrastructure. The Long Island  
9 Railroad investments that are enabling  
10 reverse commuting. And you're saying, you  
11 know, with all of the investments that the  
12 Governor and the Legislature are making on  
13 Long Island to the Long Island Railroad, the  
14 ability now to live in New York and work in  
15 Long Island.

16 I mean, all of these things taken  
17 together have to provide a solution, not any  
18 one of them alone. But rail infrastructure,  
19 downtown revitalization, workforce  
20 development. I don't know how else to try  
21 and address it. There's no quick fixes to  
22 it. You know, some people say it's a good  
23 problem to have, but we see it differently.  
24 We see it as an important problem to solve.

1           And I think through all of those strategies  
2           is the only way I know how to do it.

3                   SENATOR PHILLIPS: And if I could add  
4           to that just -- on the job creation, I agree  
5           with you, but we have a lot of tax  
6           incentives, economic incentives for new  
7           businesses. You know, we need to protect  
8           these existing businesses.

9                   You know, you mentioned reverse  
10          commuting. We're obviously making  
11          significant investments, billions of dollars,  
12          on Long Island on reverse commuting -- I'm  
13          running out of time. But is there anything  
14          in this budget -- the biomedical field is an  
15          area that it's being suggested has huge  
16          growth specifically because we have such  
17          major research universities on Long Island.  
18          Along with the areas like Cold Spring Harbor,  
19          we have such phenomenal medical research  
20          facilities as Northwell, LIJ, North Shore.

21                   Is there anything in this budget that  
22          combines that that's going to make sure that  
23          we promote the type of growth and opportunity  
24          that encourages this reverse commuting?

1                   COMMISSIONER ZEMSKY: Just really the  
2 investment in the infrastructure.

3                   Look, with respect to the existing  
4 businesses for manufacturers, which you've  
5 referenced, we've got no tax now on  
6 manufacturers, and we've got the lowest  
7 business taxes in a very, very, very long  
8 time.

9                   So our programs are -- you know, you  
10 can take advantage of an Excelsior tax credit  
11 as an existing business if you're just  
12 looking to invest and expand. You certainly  
13 don't have to be a new business. So we  
14 mostly work with existing businesses that are  
15 growing and expanding, more so than new  
16 businesses, so -- and that's true, I think,  
17 for any economy anywhere in the country, by  
18 the way. Organic growth of your business  
19 base is almost always going to provide the  
20 greatest opportunity.

21                   So we totally get that. That's who  
22 we're working with. On Long Island this year  
23 we worked closely with Broadridge Financial,  
24 we worked closely with Nature's Bounty, we've

1           worked closely with other companies. We  
2           are -- ESD has been involved with many  
3           pharmaceutical manufacturing companies. The  
4           Long Island Regional Economic Development  
5           Council has -- maybe our most winningest  
6           region, it has done a great job. It's got a  
7           very sound strategy.

8                     I've met with many of the folks that  
9           you're referring to. The life science  
10          cluster, that's there. The Life Science Fund  
11          that we have will provide some opportunity as  
12          well. So Long Island is well-positioned for  
13          life sciences and business growth. And it's  
14          got, you know, scary low unemployment.

15                    SENATOR PHILLIPS: Thank you.

16                    CHAIRWOMAN YOUNG: Thank you.

17                    CHAIRWOMAN WEINSTEIN: Assemblyman  
18          Walter.

19                    ASSEMBLYMAN WALTER: Thank you.

20                    Thank you, Commissioner. Just let me  
21          start out with -- you said something in  
22          response to Senator Boyle's last question,  
23          and I agree with you a hundred percent. And  
24          you're excited about it, I'm excited about

1 Buffalo Manufacturing Works' workforce  
2 training and development, complete streets.  
3 These things, you know, investing in the  
4 infrastructure of our economy, are awesome.  
5 And I think that, you know, we can agree on  
6 that and continue those efforts. And if we  
7 were able to combine that someday with a  
8 competitive tax and regulatory structure in  
9 this state, we would be unstoppable.

10 And if we could avoid some of these  
11 more, you know, big-ticket, silver-bullet  
12 things that have not worked out that have  
13 been addressed, I think we would be much  
14 better off.

15 But let me drill down into some of the  
16 questions that Senator Young was asking you  
17 regarding SUNY Poly. When Dr. Kaloyeros I  
18 guess was head of Fort Schuyler Management/  
19 Fuller Road Management/SUNY Poly, there  
20 were -- he engaged in a number of debts with  
21 massive balloon payments that we see coming  
22 up. And in fact in the enacted budget  
23 currently, there were contained about  
24 \$207.5 million for strategic economic

1        development projects that ended up -- which  
2        were unclear on how that money was going to  
3        be spent, but now we know that some of that  
4        was spent on bailing out some of these SUNY  
5        Poly projects.

6                    And right now it's -- I guess about  
7        \$400 million has been reported of balloon  
8        payments coming due to lenders in the next  
9        three years.

10                   So when we see this new \$300 million  
11        High-Technology Innovation Fund with very  
12        little detail on how that's going to be used,  
13        obviously that raises some concerns that its'  
14        going to be used to bail out these projects,  
15        these massive balloon payments that are  
16        coming due.

17                   Now, you did -- you said, Well, this  
18        is what it's intended for. Is this a  
19        possibility that it might be used to bail out  
20        these SUNY Poly projects?

21                   COMMISSIONER ZEMSKY: No, I -- it --  
22        the SUNY Poly is in a better place, and they  
23        will likely look to -- and we've been helping  
24        them with a, you know, refinancing. So, you

1 know, you can expect to see some efforts for  
2 them to refinance some debt.

3 You'll also see efforts to continue to  
4 add tenancy in some of their facilities,  
5 which will make them more financially viable.  
6 But those businesses would be aligned with  
7 the mission of SUNY Poly and take advantage  
8 of the resources there. So I think, like  
9 anything else, through customers and through  
10 refinancing, I think they're going to lean on  
11 that primarily.

12 You know, it's a state asset, so I'm  
13 always reluctant to sort of point fingers at  
14 them and say, you know, we bailed them out.  
15 They're -- they're an important asset for us.  
16 We've invested a lot in that. You know that.  
17 And you've got a lot of great people there.  
18 I think it's -- you know, these things are  
19 like -- you know, become like described as  
20 entities that have no people. They're  
21 actually -- and particularly in this  
22 industry, intellectual capital is everything.  
23 You've got great people there. I --

24 ASSEMBLYMAN WALTER: Well, it's an

1 unusual arrangement to have these massive  
2 balloon payments. I mean, are we continuing  
3 this type of investments where we do these  
4 debts with these risky -- admittedly risky,  
5 and I understand that. And that's --

6 COMMISSIONER ZEMSKY: Well, I mean, I  
7 would say I appreciate your concern. Again,  
8 we've been involved in it now for not that  
9 long. We are not intending to come to you or  
10 anyone with things that I think anyone would  
11 consider to be inappropriately risky.

12 So, you know, there are some, you  
13 know, great technology companies out there.  
14 We'd love to do more with them in New York.  
15 And, you know, some of those are  
16 public-private partnerships. But I don't see  
17 anything on the horizon in that money that I  
18 think you would find or any of your  
19 colleagues would find to be -- I forget the  
20 term you just used, something about risky,  
21 ridiculously risky or unreasonably risky.

22 But we wouldn't -- that's not -- you  
23 know, we're not trying to do that. We are  
24 trying to leverage a lot of good work that's



1           going on. And, you know, I've been with the  
2           semiconductor industry --

3                   ASSEMBLYMAN WALTER: I just want to  
4           clarify, though. Are we ruling out using  
5           this \$300 million high-technology fund for  
6           bailing out any of these current projects?

7                   COMMISSIONER ZEMSKY: Yeah, it's -- I  
8           don't know what you mean by "bailing out."

9                   ASSEMBLYMAN WALTER: Word it however  
10          you want. Are we going to use the  
11          \$300 million high-technology fund that's  
12          created in the budget to address any of these  
13          balloon payments coming due that were  
14          previously engaged in by SUNY Poly, Fuller  
15          Road Management --

16                  COMMISSIONER ZEMSKY: Well, the  
17          balloon payments ultimately, right, if people  
18          are going to pay their debts, they've got to  
19          get new customers, which is -- would be good,  
20          right? We'd all be happy with that. They've  
21          got to refinance their debt.

22                  Probably a combination. So I would  
23          imagine there will be a combination of more  
24          business activity and refinance debts.

1                   But if you're saying are we going to  
2                   write a \$50 million check to SUNY Poly and  
3                   call it a bailout, I would say no.

4                   ASSEMBLYMAN WALTER:   Okay, thank you.

5                   COMMISSIONER ZEMSKY:   All right.

6                   SENATOR KRUEGER:   Thank you.

7                   Senator Ortt.

8                   SENATOR ORTT:   Thank you.

9                   Good morning, commissioner.   Or good  
10                  afternoon, I guess, at this point.

11                  COMMISSIONER ZEMSKY:   Yeah, what time  
12                  is it?

13                  SENATOR ORTT:   Who knows.   Hearing  
14                  Room B is -- you know, there's -- you never  
15                  know what -- you come in in the morning and  
16                  you leave when it's dark.

17                  But I do want to thank you for your  
18                  answers.   I only have a few minutes, so I'll  
19                  kind of jump right into it.   But back in  
20                  2013, you may recall there was 40 -- I think  
21                  it was \$40 million in funds set aside for a  
22                  competition in Niagara Falls, of which one of  
23                  the awardees or one of the projects to come  
24                  out of that was the Wonder Falls, the

1           \$150 million project. This was going to be a  
2           hotel, indoor water park, restaurants, and  
3           other entertainment and retail space in what  
4           used to be the Rainbow Centre Mall in  
5           downtown Niagara Falls there.

6                     There were several press conferences,  
7           including one with the Governor, where they  
8           came and they announced 1500 indirect jobs  
9           would be created, including 300 permanent  
10          jobs.

11                    Can you tell me today, have any of  
12          those jobs materialized?

13                    COMMISSIONER ZEMSKY: Well, you know,  
14          we've gotten a lot done -- let me start by  
15          saying we've gotten an enormous amount done  
16          in Niagara Falls, I think an unprecedented  
17          amount of progress in Niagara Falls in recent  
18          years. I think you'd agree with that. I  
19          think anyone would.

20                    That project has been -- it hasn't  
21          happened, but it will. That's my most  
22          sincere belief. And we are -- we've been  
23          negotiating that agreement. It's a complex  
24          problem. I think you know there are not that

1           many 100-plus-million-dollar projects in the  
2           City of Niagara Falls. The site that you  
3           refer to is particularly complicated.

4                     There has been great progress in  
5           Niagara Falls, which is encouraging for all  
6           of us, including the developers of that  
7           project. We are in very active negotiation  
8           to finalizing those negotiations. I think  
9           you'll see good progress on that project.  
10          There's no guarantee, but -- it's taken  
11          longer than we would have liked; that does  
12          happen. But in the meantime, we've done an  
13          enormous amount of investment and seen an  
14          enormous amount of progress in tourism,  
15          tourism assets, infrastructure connecting  
16          that city back to its waterfront, park  
17          infrastructure, you name it. Niagara Falls  
18          has come a long way.

19                    That project is still very much a  
20          priority, and I think you'll see very  
21          positive developments on that project soon.

22                    SENATOR ORTT: Okay. And that's good  
23          to hear, even if it is five years on. And  
24          the reason I ask, though, is beyond the fact

1       for this hearing alone, as you probably are  
2       also aware, there have been other, as you  
3       alluded to, projects in Western New York,  
4       specifically Niagara Falls, where there have  
5       been hotels or retail-tourism-like projects  
6       that are announced and then either don't  
7       materialize -- and I'm talking over long  
8       years of history -- or, like the Hamister  
9       project, are scaled back so much that they  
10      don't even reflect what was initially  
11      outlined.

12               And with this project, obviously there  
13      was a lot made about that. The mayor made a  
14      lot about it; a lot of local officials did.  
15      Has there been any money at this point  
16      committed to that project?

17               COMMISSIONER ZEMSKY: Which project  
18      are you --

19               SENATOR ORTT: The Wonder Falls  
20      project.

21               COMMISSIONER ZEMSKY: The Wonder Falls  
22      project, we've identified some funds for  
23      that, and we're in final negotiations with  
24      the developer. So we haven't, you know,

1 committed anything that they haven't  
2 committed to. So our commitment is only  
3 contingent on them doing the project,  
4 obviously. So we're getting close.

5           You know, Hotel Niagara was a project  
6 that we inherited and have moved the ball  
7 forward on in a significant way. I think  
8 you're familiar with that. There's been I  
9 think eight new construction or rehabilitated  
10 hotel projects in Niagara Falls. I don't  
11 think there's anywhere in upstate New York,  
12 truthfully, where there's been more hotel  
13 investment in recent years than Niagara  
14 Falls.

15           Now, you know, I get it. We can point  
16 to something and say this is taking too long;  
17 I agree. But in fairness, just in fairness,  
18 I think we should put that in the context of  
19 an enormous amount of hotel investment that  
20 in fact has occurred in Niagara Falls --  
21 infrastructure investment, private-sector  
22 investment, and growth in tourism and the  
23 economy.

24           SENATOR ORTT: Well, there's certainly

1       been a lot of subsidization of hotels, which  
2       is welcome. If we can just keep the people  
3       there, now, you know, for other reasons.  
4       I've never traveled anywhere to stay in a  
5       nice hotel, I've always traveled to do  
6       something and then I need a hotel as well.  
7       So, you know, if we can make that next step,  
8       I think that will be very important.

9               Just jumping into my next -- the film  
10       tax credit, which I'm sure you're familiar  
11       with, seeing as it's \$420 million. Anything  
12       with economic development, I'm sure you'd  
13       agree, centers around ROI, right, return on  
14       investment. You're spending a lot of money,  
15       or spending dollars, and at some point you  
16       have to look back and say, okay, is this  
17       working, is this not working?

18              And I think there's nothing wrong with  
19       doing that and then sticking with programs  
20       that work, that create long-term jobs, and  
21       obviously maybe abandoning or changing  
22       programs that are not working.

23              Can you tell me -- or is there any  
24       data that you have or could provide that

1 shows what the film and television industry  
2 spent in New York or, you know, the amount of  
3 films filmed here prior to the enactment of  
4 the tax credit versus since the tax credit  
5 has been enacted?

6 COMMISSIONER ZEMSKY: Yeah, I mean  
7 it's dramatic. But you should know. I mean,  
8 you're talking about -- that industry has now  
9 grown like 300 to 400 percent in the last  
10 less than 10 years, 300 percent, I think.  
11 It's enormous. The spending has, the  
12 employment has. It's hitting record after  
13 record. It's -- that industry is employing  
14 hundreds of thousands of people. Industry is  
15 investing many billions of dollars annually,  
16 and it is a booming industry. And, you know,  
17 if you ever watch Netflix or go to the movies  
18 or any of those things --

19 SENATOR ORTT: I've heard of it.

20 COMMISSIONER ZEMSKY: -- that industry  
21 is growing, and it's growing in New York.  
22 And, you know, it's a very interesting  
23 statistic to look and see how pre- and  
24 post-film tax credit, depending on how far



1       you want to go, that industry has grown  
2       dramatically.

3               And it's a very competitive industry.  
4       We're not the only ones who have a film tax  
5       credit. Georgia, Louisiana, Connecticut,  
6       Canada, Toronto. It's a competitive  
7       industry. But when we changed the film tax  
8       credit, boy, if you look at that and, you  
9       know, draw that old chart over time, and the  
10      incentive, it's a hockey stick in the right  
11      direction. It's all up and to the right.

12             So it's -- we do share your concern  
13      about return on investment. We do studies  
14      with Camoin. The return is positive,  
15      15 percent. But, you know, that industry has  
16      grown tremendously for sure. And I do -- you  
17      know, there's been more productions upstate  
18      than there ever have been.

19             So, you know, while it's New York  
20      City-downstate-centric, it has benefited  
21      upstate as well. There's been more  
22      productions in Western New York this past  
23      year than I think there ever have been or  
24      have been in a very long time.

1 Post-production is growing as well,  
2 dramatically. So I think that industry is  
3 doing very well in terms of employment and  
4 growth and investment in New York.

5 SENATOR ORTT: And as you said, most  
6 of it is centered downstate, to be fair. I  
7 guess my concern has always been New York and  
8 California have always been hubs for the film  
9 industry. I guess I'm just curious as to why  
10 that industry was selected for the largest  
11 industry-specific credit versus, let's say,  
12 manufacturing or agriculture or some other  
13 type of industry, especially when I think  
14 it's fair to say that most of the jobs -- not  
15 all of them, but most of them -- are  
16 short-term-employment jobs.

17 COMMISSIONER ZEMSKY: You know, it's a  
18 highly mobile industry, it's a competitive  
19 industry. That's -- you know, one of the  
20 things that we're starting to see with the  
21 advent of Netflix and things like that,  
22 people are making longer commitments and  
23 keeping people employed longer and they're  
24 not -- so that, I think, is a positive

1 development in the industry.

2 SENATOR ORTT: Thank you,  
3 Commissioner. I'm out of time. I appreciate  
4 your answers.

5 CHAIRWOMAN YOUNG: Thank you.

6 CHAIRWOMAN WEINSTEIN: Thank you.

7 Mr. Jones, for some questions.

8 ASSEMBLYMAN JONES: Thank you, Madam  
9 Chair, and thank you, Commissioner.

10 I'm going to touch on something that  
11 one of my colleagues has already touched on,  
12 and just because it's so important to our  
13 economy and our education, tourism,  
14 agriculture, it reaches into everything --  
15 the broadband program. I've followed the  
16 Governor's announcements, and have wanted  
17 this to come to fruition all the way  
18 throughout. So I'll get right to my  
19 questions.

20 We're saying this year we will address  
21 the remaining 2 percent of unserved  
22 New Yorkers, through a Round 3, and by the  
23 end of this we'll be 99.9 percent covered.  
24 My questions are, how do we substantiate

1           these numbers, and what are we going to do  
2           after Round 3 when we don't have the  
3           coverage? What's our plan then when we don't  
4           have coverage to these unserved areas?

5                   COMMISSIONER ZEMSKY: Yeah, I mean, we  
6           will have, right, by the end of Round 3 we  
7           will have coverage at pretty much every home  
8           in the state. So I'm not exactly sure what  
9           you're referring to. Are you saying that you  
10          feel like we're not going to have coverage --

11                   ASSEMBLYMAN JONES: I hate to be  
12          skeptical, Commissioner, I'm a very positive  
13          guy, but we have large swathes in my district  
14          and in upstate that just do not have the  
15          coverage or they're underserved.

16                   COMMISSIONER ZEMSKY: Yeah. I mean,  
17          our -- okay, our division's job is not done  
18          once all of the contracts are awarded, right?  
19          So implementation, there's a lag between, you  
20          know, getting the award and implementing the  
21          service. And we have a number of people on  
22          our broadband team who stay with the project.  
23          It doesn't conclude once the awards conclude.  
24          We stay with it through implementation.

1                   So, you know, we're not in it just to  
2                   make announcements, we're in it and these  
3                   companies are in it, and they don't get the  
4                   state funds until they do the implementation.  
5                   So ...

6                   ASSEMBLYMAN JONES: I just -- getting  
7                   back to the numbers, how do we -- you know,  
8                   I've seen the maps and how -- you know, the  
9                   coverage on the maps. How do we substantiate  
10                  those numbers? I'm just curious, the  
11                  99.9 percent coverage.

12                  COMMISSIONER ZEMSKY: I guess we know  
13                  we get all the -- we have a lot of census  
14                  information or information on, you know,  
15                  homes that -- I'll have to get back to you on  
16                  exactly how we substantiate the numbers.

17                  But I'm extremely confident that we  
18                  aren't randomly creating them. So, you know,  
19                  we have these programs which map out, in a  
20                  very great detail, all the homes. We can  
21                  send you what those solicitations look like.  
22                  We've put together a tremendous amount of  
23                  information as part of the solicitation.  
24                  Companies can -- we call it a reverse

1 auction. They can compete on which homes  
2 specifically they're serving in this -- as we  
3 put together the RFPs. And, you know, I  
4 think -- maybe if you haven't seen those, we  
5 could show those to you. That might give you  
6 more comfort that we've done a good job of  
7 identifying the service area that must be  
8 served, so ...

9 ASSEMBLYMAN JONES: Okay. All right.  
10 Well, I encourage ESD and I look forward to  
11 more coverage, because it is so important to  
12 our economy and our overall health and  
13 well-being of our residents.

14 COMMISSIONER ZEMSKY: Do you mind if I  
15 ask, where do you live?

16 ASSEMBLYMAN JONES: I live in the  
17 North Country. As far north as you can  
18 possibly get in this state, so -- no, I'm  
19 very excited about this program, I just see,  
20 in traveling around upstate and traveling  
21 around the North Country and hearing from my  
22 constituents, it's probably my number-one  
23 concern, complaint that we have in my office,  
24 is lack of broadband coverage.

1                   So I think we should continue to work  
2                   on this, and there will be no happier person  
3                   in this room once we get to 100 percent  
4                   coverage.

5                   COMMISSIONER ZEMSKY: Okay, great.

6                   ASSEMBLYMAN JONES: Thank you.

7                   COMMISSIONER ZEMSKY: Yeah, we are --  
8                   that's one of the reasons why the Governor  
9                   rolled out the broadband program, because we  
10                  heard those same concerns and the fact that,  
11                  in the 21st century, you can't really create  
12                  a place that people want to work or live or  
13                  learn or be safe without high-speed internet  
14                  and broadband.

15                  So we're very much aligned with the  
16                  way you're thinking, and we don't have any  
17                  intention of walking away from the program  
18                  until all of the vendors do exactly what  
19                  they're promised to do.

20                  ASSEMBLYMAN JONES: Thank you very  
21                  much.

22                  CHAIRWOMAN YOUNG: Thank you.

23                  Senator Leroy Comrie.

24                  SENATOR COMRIE: Thank you, Madam

1           Chairs. Good morning --

2                   CHAIRWOMAN YOUNG: Senator, I'm sorry.  
3           Before you begin I do want to announce --  
4           pardon me -- Senator Kaminsky, Todd Kaminsky,  
5           has joined us. I apologize. Thank you.

6                   SENATOR COMRIE: No problem. Thank  
7           you.

8                   Good morning, Commissioner. I'm also  
9           representing Southeast Queens and parts of  
10          Elmont.

11                   I also want to echo Senator Phillips'  
12          comments regarding the Belmont Park  
13          redevelopment, and I hope that we are looking  
14          to ensure that there are real economic  
15          development areas for the Elmont-Floral  
16          Park-Cambria Heights-Queens Village  
17          communities that surround the park, and I  
18          look forward to working with your staff to  
19          make that happen and make that Islander  
20          project a project that will not only create  
21          an opportunity for Long Islanders to have  
22          their sports team back, but create a local  
23          opportunity for local residents to benefit  
24          from that project as well.



1           Elmont, as you know, is in severe need  
2           of real economic incentives and  
3           opportunities. Floral Park has some real  
4           concerns about it. And the Queens Village  
5           and Cambria Heights areas that abut the park  
6           as well could utilize some help there as  
7           well.

8           And I just want to say that your team  
9           so far has been responsive, and I look  
10          forward to a robust opportunity to talk about  
11          the benefits for the communities there.

12          Can you give us a timeline on that  
13          project, or what you expect the timeline to  
14          be?

15          COMMISSIONER ZEMSKY: I'm going to  
16          have to get back to you with a very -- you  
17          know, our team can give you a more specific  
18          timeline.

19          It probably depends on the EIS, and I  
20          think we have an idea it's some years of  
21          construction. But getting through community  
22          process and the environmental impact process.  
23          So we're moving -- you know, we're moving  
24          forward, obviously, in a way that's

1 respectful of getting the project done and  
2 the community.

3 SENATOR COMRIE: Great. Thank you.

4 I wanted to just talk about two --  
5 three other items. I was disappointed to  
6 hear in your broadband presentation that  
7 you're looking to deal with Charter  
8 Communications. The Governor has pledged to  
9 support the Local 3 members that are still on  
10 strike at almost two years in with Charter  
11 Communications, and I would hope that no  
12 government agency is giving Charter an  
13 opportunity to get a government contract  
14 during this time.

15 You know, they have been doing almost  
16 an illegal lockout of the Local 3 electrical  
17 workers that provide most of the line service  
18 for Charter Communications, and it concerns  
19 me that the state would be working with them,  
20 as opposed to trying to help resolve that  
21 strike, because we have many local members  
22 that are out of work as a result of it.

23 So I would hope that there's some  
24 reconsideration of what you're doing with

1 Charter during this particular time when  
2 they're on strike with a union that has a  
3 legitimate contract with the organization.

4 And I hope that someone can get back  
5 to us from the Governor's office on what is  
6 being done to help those workers and  
7 residents of New York State that are in a  
8 legitimate contract negotiation.

9 COMMISSIONER ZEMSKY: Okay.

10 SENATOR COMRIE: But my other topic --  
11 I also represent downtown Jamaica. And as  
12 you know, there was a \$10 million initial  
13 funding from the regional projects, and I  
14 wanted to know what would be the status of --  
15 and the opportunities for them to be able to  
16 get in the next round of funding for the  
17 regional economic development organizations  
18 that you have listed, for the opportunities  
19 for downtown Jamaica to -- {microphone off}.

20 Thank you. As you may know, downtown  
21 Jamaica includes the Long Island Railroad  
22 Jamaica Station. There's \$100 million that  
23 has been invested over 10 years ago to try to  
24 improve the physical conditions around there.

1 I spoke to the MTA when they were here last  
2 week. I would hope that your agency could  
3 help with the MTA to try to resolve that  
4 issue as well, to try to make sure that that  
5 can be a destination that folks would want to  
6 continue to increase numbers in to -- as they  
7 commute back and forth to work, so that  
8 they're not in a dangerous situation as now.

9           There was over \$100 million invested.  
10 It requires every -- almost every state  
11 agency and federal agency and the MTA, and  
12 that's why nothing has been done yet over  
13 10 years. Too many agencies are involved in  
14 the pot. I would hope that somebody could  
15 take the lead and get this thing resolved and  
16 get the project done so that the Jamaica  
17 Station could be a true destination, a  
18 station that could support a final one-seat  
19 train from JFK to downtown Manhattan.

20           And also, you know, it's one of the  
21 highest stations now in terms of passengers  
22 that go through there every day, and  
23 unfortunately a lot of passengers have to  
24 exit there into an area that could be

1 improved, and has been planned to be  
2 improved, but has not been improved yet. I  
3 hope your agency can look into that as well.

4 And finally, the tourism for Queens.  
5 Tourism has gone up over the last year. In  
6 2016, we had over \$5 billion in tourism  
7 dollars spent in Queens, but yet we get less  
8 than 1 percent of the overall budget for  
9 tourism. And I hope that those numbers can  
10 be improved so that Queens can continue to  
11 highlight all of the beauty of Queens, the  
12 opportunities for all of the tourism that  
13 comes into the borough to experience the over  
14 140 cultures that are in Queens and, you  
15 know, the restaurants and all of the other  
16 nightlife. With Long Island City expanding,  
17 with the Cornell Tech Hub, there's a lot of  
18 opportunity to even expand the \$5 billion  
19 worth of tourism last year. But we need to  
20 get some more money for promotion, and I hope  
21 that we can get a larger part of the state  
22 budget to make that happen.

23 COMMISSIONER ZEMSKY: Okay.

24 CHAIRWOMAN YOUNG: Thank you.

1                   SENATOR COMRIE: Can I get some  
2                   responses to that?

3                   COMMISSIONER ZEMSKY: You know, I  
4                   don't -- I wouldn't be able to tell you  
5                   exactly what is spent in Queens specifically,  
6                   as of each borough. But we do have a team  
7                   that -- boy, we've got a great team for  
8                   tourism at ESD. And, you know, we are  
9                   promoting all of the tourism regions of the  
10                  state and in a very -- I think in an  
11                  effective way.

12                 So, I mean, I know if I ever did  
13                  anything to shortchange Queens, I'd probably  
14                  lose my job. So we're very pro-Queens. And  
15                  we're -- we're very pro-tourism. And if  
16                  there's any assets that you think we're not  
17                  properly promoting in Queens, we'd be  
18                  interested in hearing about those.

19                 But tourism is something that has  
20                  grown across the state, downstate and  
21                  upstate, and it continues to be a big focus  
22                  of Empire State Development. So if you feel  
23                  like, you know, we're not doing a good job  
24                  promoting tourism, I'm concerned, because

1           that's not a criticism I normally hear. So  
2           we'd like to talk more about specifically  
3           where do you think we're dropping the ball.

4                   SENATOR COMRIE: Sure. I'd like to be  
5           able -- the opportunity to sit down and go  
6           over that. And also the other questions that  
7           were raised also. Since we can't go  
8           in-depth, if we can have an opportunity to  
9           meet to go over them, I'd appreciate it.

10                   COMMISSIONER ZEMSKY: Yup, absolutely.  
11           We've got a great tourism team. And -- but  
12           no one's perfect.

13                   SENATOR COMRIE: And the issues on  
14           tourism is the ability to go into the local  
15           neighborhoods to do it. There's a great --  
16           New York City does have a good overall  
17           tourism program, but there's a real  
18           opportunity to expand it threefold if we  
19           could utilize the local assets that are  
20           there. Thank you.

21                   Thank you, Madam Chairwoman.

22                   CHAIRWOMAN WEINSTEIN: Assemblywoman  
23           Jean-Pierre.

24                   ASSEMBLYWOMAN JEAN-PIERRE: Good

1 morning, Commissioner -- good afternoon,  
2 actually.

3 First I want to thank you for -- thank  
4 ESD and your team for understanding what's  
5 needed on Long Island in respect to our  
6 downtown revitalization programs that are  
7 booming on Long Island. Because one of the  
8 things we talk about is young people are  
9 leaving Long Island and we need to create an  
10 avenue where they can stay, and these  
11 downtowns have been a solution to -- because  
12 they want to be around the train stations and  
13 transportation.

14 But one of the things I want to touch  
15 upon is the conversation of childcare. Which  
16 my colleague to my left has talked about  
17 childcare, and I know you mentioned the  
18 wraparound services and ESD. And Long Island  
19 Regional Development Council is very, very,  
20 very involved in the conversation of access  
21 to affordable childcare. But I was reading  
22 your testimony, and I didn't find any points  
23 about childcare.

24 And I know that ESD supports projects



1 with childcare, but I think we need to have a  
2 larger conversation. And we can't have  
3 economic development without childcare. We  
4 can't have growth in economic development  
5 without childcare.

6 So what I would wish and hope is that  
7 the Governor and your team talks about and  
8 creates a strategy in the state's budget for  
9 affordable childcare this year, because we  
10 are losing a lot of families on Long Island  
11 because they can't afford the childcare  
12 services. And childcare is not only not  
13 affordable, but there's no access to quality  
14 care.

15 COMMISSIONER ZEMSKY: Okay.

16 ASSEMBLYWOMAN JEAN-PIERRE: So if you  
17 can -- if you -- so my question to you is,  
18 what in the budget, what strategies in this  
19 year's budget will focus on affordable and  
20 access to childcare? Particularly in  
21 communities outside of New York City, such as  
22 Long Island.

23 COMMISSIONER ZEMSKY: So, yeah, I mean  
24 there's -- I'm sure there are other state

1 agencies as well that are involved in support  
2 for childcare. We -- it has come into ESD's  
3 portfolio through some projects like --  
4 through REDC funding, through Rochester-  
5 Monroe Anti-Poverty, through Northland,  
6 through workforce training programs and  
7 things of that nature.

8           So I do see -- now, those aren't  
9 necessarily ESD programs, but ESD is involved  
10 in administering and managing some of the  
11 REDCs. So, you know, I can't point to line  
12 items in the ESD budget around childcare; I'm  
13 sure there are some in other state budgets.  
14 But we do note and do agree that -- you know,  
15 the holistic approach to economic  
16 development.

17           And we can't grow the economy  
18 further -- you get to a point where, unless  
19 you can solve some of these barriers to  
20 people entering the workforce, which means  
21 solving the barriers to getting workforce  
22 training, we're going to have a hard time  
23 continuing to grow the economy because the  
24 biggest issue we have right now is unfilled

1 positions across the state.

2 So I think as time moves on, this has  
3 become a bigger and bigger issue, and it is  
4 on everyone's mind, how do you get people  
5 into jobs and how do you get them the  
6 workforce training that they need to get the  
7 jobs. And then, you know, you start peeling  
8 back that onion and you get into issues like  
9 workforce and other wraparound services that  
10 we're providing at Northland. So we  
11 understand that.

12 ASSEMBLYWOMAN JEAN-PIERRE: But I also  
13 think -- thank you for that. But I also  
14 think it needs to be in our languages. Just  
15 as I mentioned your testimony doesn't have  
16 anything about childcare -- I know I came  
17 late, but I don't know if it was asked  
18 previously, but it needs to be embedded in  
19 how we talk about economic development. They  
20 don't go separately, they have to entwine  
21 together.

22 COMMISSIONER ZEMSKY: Fair enough.

23 ASSEMBLYWOMAN JEAN-PIERRE: Thank you.

24 CHAIRWOMAN YOUNG: Thank you.



1       MWBE. We do workshops, we do recruiting, we  
2       have a fabulous MWBE development team. And  
3       we're all about, all around the state, often,  
4       talking about the MWBE program, increasing  
5       awareness, and increasing applications and  
6       increasing inquiries.

7               And that means as that program has  
8       grown, we really need to grow staffing with  
9       it. And that's really what it is. It's  
10      about the fact that we're growing, people are  
11      familiar with the program, we're doing a very  
12      aggressive outreach on it, and we need to  
13      have more staff in order to process  
14      applications, certifications,  
15      recertifications.

16             SENATOR SANDERS: Your loan program  
17      that you have, one of them, the lending  
18      program, is \$635,000. Why so little money,  
19      sir, if we're trying to get everybody into  
20      the road to American progress? Why so little  
21      money?

22             COMMISSIONER ZEMSKY: Well, we have a  
23      number of lending programs, right? So we  
24      have the Bridge to Success program, we have a

1       surety bonding program, we've got a number of  
2       programs. I'm not sure exactly which one  
3       you're referring to, but it's one of many  
4       programs that we have that have -- trying to  
5       help MWBEs, you know, compete for state  
6       contracts, help with working capital while  
7       they get state contracts, things of that  
8       nature. So ..

9               SENATOR SANDERS: Well, not to -- I  
10       could name the program, but I would rather go  
11       into the Governor's proposal to go to  
12       30 percent. Will we meet it, sir? And what  
13       are the challenges to meeting the 30 percent  
14       on contracts?

15              COMMISSIONER ZEMSKY: Yeah. No, we'll  
16       meet it over time. We've gotten closer and  
17       closer. We're now, I think, north of  
18       25 percent. And I think that's dramatically  
19       improved from what it was only seven years  
20       ago. So I think we've doubled it in that  
21       time.

22              And, you know, we continue to make  
23       progress there. I think you've seen us be  
24       very aggressive on MWBE. You've got a new

1       disparity study that has additional  
2       recommendations around MWBE that I think can  
3       be very impactful across the state to  
4       minority- and women-owned businesses, and  
5       people.

6               And I don't know how -- I think the  
7       Governor's commitment to MWBE has been  
8       fabulous, and I think our agency has, you  
9       know, done a great job moving that ball  
10      forward. And we continue to set records  
11      every year, we continue to certify literally  
12      thousands more MWBE firms, and we're closing  
13      in on 30 percent. So I think it's doable,  
14      and it will be done.

15             SENATOR SANDERS: Well, let's take a  
16      solid case, sir. Let's take LaGuardia  
17      Airport. LaGuardia Airport, of course, is a  
18      \$4 billion project. Thirty percent is  
19      roughly \$1.2 billion, of course, to MWBEs.  
20      Yet at a hearing roughly three months ago,  
21      ESDC stated that, at best, close to  
22      \$500 million was in-contract. And most of  
23      the contracts for these contracts, the larger  
24      contracts are let first. As it goes on, the

1 contracts get smaller and smaller.

2 If I were a betting man, which I'm  
3 not, I'd bet heavily that we're not going to  
4 get to 30 percent there, that we'll be far  
5 from 30 percent at this rate, sir.

6 COMMISSIONER ZEMSKY: Not every  
7 project does, but many do. And I know that  
8 some of the larger projects, we haven't  
9 really achieved great success with general  
10 contractors on projects of that magnitude.

11 So I think that's an area to continue  
12 to work on. I think that's also discussed in  
13 the disparity study. So ...

14 SENATOR SANDERS: I look forward to  
15 working with you on this and finding ways to  
16 get to the 30 percent in the future.

17 Thank you kindly, sir.

18 COMMISSIONER ZEMSKY: Thank you.

19 SENATOR SANDERS: Thank you, Madam  
20 Chair.

21 CHAIRWOMAN YOUNG: Thank you.

22 ASSEMBLYMAN OAKS: Assemblyman Murray.

23 ASSEMBLYMAN MURRAY: Thank you.

24 Thank you, Commissioner, for being



1       here. I want to focus quickly on advertising  
2       and marketing and the money we've spent on  
3       that. I'll start with the START-UP NY  
4       program.

5                You know, a few years ago we spent  
6       literally tens of millions of dollars on ad  
7       campaigns for the START-UP NY program, which  
8       is a program designed mainly to bring  
9       companies from other states to come to  
10      New York and do business here, and offering  
11      incentives to do so. And yet as part of the  
12      enacting legislation for that program, it was  
13      required that 40 percent of the advertising  
14      be done in-state. Why are we spending  
15      literally tens of millions of dollars on an  
16      in-state ad campaign when it's designed to  
17      bring companies from out of state?

18               COMMISSIONER ZEMSKY: Well, of course  
19      the answer is it's not just designed to bring  
20      companies from out of state. So, you know, a  
21      lot of the companies that are going to enter  
22      the program are going to be hopefully  
23      companies that are, you know, oftentimes  
24      early-stage businesses and coming out of our

1 incubators and hotspots and Centers of  
2 Excellence and Advanced Technology.

3 And, you know, the healthiest economy  
4 is the economy that grows organically. And I  
5 think growing businesses through those assets  
6 that we have that develop innovation and then  
7 can take advantage of START-UP NY are ways  
8 that we can keep those businesses here.

9 So yeah, are there businesses that are  
10 going to be attracted to START-UP NY? In  
11 Buffalo we've got a company called Bak USA  
12 that I think now has over a hundred people.  
13 They came from Haiti to start a business in  
14 Buffalo because of START-UP NY. And there  
15 are other examples of that.

16 But most of them I think grow  
17 organically, are early-stage businesses,  
18 entrepreneurs that are part of the ecosystem  
19 in New York State. So it's both. And so we  
20 advertise it in both.

21 And I'll say one more thing, and I  
22 appreciate everyone for -- you know, in large  
23 part these -- some of the issues around  
24 promoting START-UP NY are in the rear-view

1 mirror. But, you know, we promoted New York  
2 State as an innovative economy and a place to  
3 do business. And, you know, as part of the  
4 new New York. And I think we have done a  
5 good job over the years in promoting New York  
6 as a place that's now more user-friendly,  
7 more open for business, you know, does have a  
8 lot of technology assets to take advantage  
9 of, does have an amazing education system,  
10 does offer Excelsior scholarships for people,  
11 you know, does have downtowns that are coming  
12 back, does have upstate regions that are  
13 coming back.

14 I mean, we're letting the world know  
15 that we are back. For parts of New York  
16 State, you've been back for a long time. For  
17 other parts of New York State, we're just  
18 coming back and have just come back. So and  
19 the other -- it's sort of like tourism,  
20 right? You can say why promote tourism  
21 in-state, why not just promote tourism  
22 out-of-state? But so much of tourism happens  
23 in-state, people who choose to stay in  
24 New York and have a vacation as opposed to go

1 to Pennsylvania.

2 So -- and all of these things we do  
3 promote both in-state and out-of-state, and  
4 it's good business to do that. And I think  
5 it follows where we do business.

6 ASSEMBLYMAN MURRAY: And I appreciate  
7 that. Although, you know, we were supposed  
8 to get, I believe, more regular reports  
9 telling us the progress of this. And of the  
10 little bit of information I have received on  
11 progress, very few of those businesses were  
12 from in-state. In fact, very few have  
13 actually participated, but very few of those  
14 are in-state.

15 And some, including myself, question  
16 how much of a benefit it brings when you take  
17 a company who is operating in-state outside  
18 of the START-UP NY area and then move them to  
19 it and take them off the tax rolls for  
20 10 years. And the reason I bring this up is  
21 many felt that a lot of those things were  
22 nothing but taxpayer-funded promotional ads  
23 for the Governor.

24 So I bring us to a letter I sent to

1       your office at the end of the year this past  
2       year, because the last week of the year the  
3       Governor issued an executive order which  
4       would allow property owners to pay their  
5       property taxes early. Now, we've still not  
6       determined whether or not that is actually  
7       going to benefit them, but it was done kind  
8       of as a preemptive thing by the Governor.

9               Now, that was covered by the news  
10       media all across the state ad nauseam, and  
11       then follow-up stories with some of the tax  
12       assessors who were staying open for the  
13       weekend and -- so the coverage was there,  
14       they had lines there, and yet ESD spent  
15       nearly three-quarters of a million dollars in  
16       advertising the Governor's executive order.

17              And I can't help but ask, is this  
18       another taxpayer-funded promo for the  
19       Governor? Because all of New York heard  
20       about his executive order. Why did we need  
21       to run 643,000-plus-dollars of TV ads,  
22       another 65,000 in radio ads, and then social  
23       media, print, and everything else? Why did  
24       we need to do that, and why did ESD do that?

1                   COMMISSIONER ZEMSKY: Well, the people  
2                   of New York needed to know that it was  
3                   available to them. We were all being  
4                   inundated with questions and requests. And I  
5                   think the idea that we're going to be  
6                   user-friendly for New Yorkers and, you know,  
7                   try to do what we can to help them retain  
8                   their disposable income so they can hopefully  
9                   spend it here in New York or do whatever they  
10                  want with it, is important.

11                 And, you know, the ability to do that,  
12                 it wasn't, you know, necessarily as widely  
13                 known as you might have imagined or might  
14                 imagine. And, you know, the greater scheme  
15                 of spending to help as many New Yorkers as I  
16                 think it did -- I don't think it was out of  
17                 line.

18                 But, you know, it was taken advantage  
19                 of, anecdotally. I can't tell you -- because  
20                 municipalities have the information --  
21                 exactly how many people did it. But I do  
22                 think there were long lines in a lot of  
23                 places, so I think we did get the word out.  
24                 And, you know, I think it's good for

1           business. We want to be good for business,  
2           we want to be good for the citizens of  
3           New York. And this was an unusual  
4           circumstance. There wasn't a lot of time to,  
5           you know, debate it.

6                     I think it was an appropriate action.  
7           I think most people appreciate the fact that  
8           he did it and we let people know.

9                     ASSEMBLYMAN OAKS: Thank you,  
10          Mr. Murray.

11                    ASSEMBLYMAN MURRAY: Thank you.

12                    CHAIRWOMAN YOUNG: Thank you.

13                    Our next speaker is Senator Tedisco.

14                    SENATOR TEDISCO: Thank you so much,  
15          Commissioner, for being here and for your  
16          patience. In fact, I'm considering promoting  
17          you to possibly get the Iron Man's Award for  
18          presenters. We'll call it the Cal Ripken  
19          Award.

20                    COMMISSIONER ZEMSKY: I'll take it.

21                    SENATOR TEDISCO: You've been very  
22          patient for a long period of time.

23                    You started your presentation talking  
24          about taxes and tax rates in New York State.

1           And I guess what I want to ask you about is  
2           what I see as kind of a disconnect between --  
3           or Jekyll and Hyde type of position -- of  
4           what the positions have been taken by our  
5           administration in New York State and now as  
6           it relates to the federal government.

7                        Last year we had a budget and  
8           purportedly there was going to be a sunset on  
9           what I would call a business corporation job  
10          development type of a tax, which was related  
11          to what they said was a millionaire's tax.  
12          It was supposed to sunset last year, as you  
13          remember.

14                       The Governor said, No, in this budget  
15          we cannot sunset that tax -- we didn't really  
16          have a deficit to the extent it's projected  
17          this year -- because we have a progressive  
18          system, and that progressive system says that  
19          those who are wealthy and rich, called rich,  
20          and actually creating the jobs and creating  
21          the research being done for new products,  
22          attracting new business and development, we  
23          have to tax them at a higher rate. We have  
24          to renege on that promise to sunset those



1 particular taxes. And we did in this budget.

2 I think there's a point -- I don't  
3 care where it is, at the federal government,  
4 state or local -- that you can be so  
5 progressive -- and I believe in a progressive  
6 tax structure. Those who are wealthier,  
7 those who are making more dollars probably  
8 have to pay more in taxes. But sometimes too  
9 much progressiveness can lead to  
10 regressiveness. And that is the loss of  
11 jobs, and that is mitigation on research in  
12 new products, and leaving the State of New  
13 York.

14 I think the disconnect now is that I'm  
15 hearing that from the second floor and our  
16 administration as it relates to the tax bill  
17 that's been put in place by the federal  
18 government. Which I see corporations and  
19 businesses not seeing it as necessarily  
20 regressive, because if they were and if they  
21 were deciding to leave our state or many  
22 states, they wouldn't be giving bonuses to  
23 their workers the way they are now.

24 So I'm wondering, on the one hand, why

1       we have to tax those job creators in New York  
2       State, but in terms of the federal  
3       government, when they say we -- and I don't  
4       agree that it does impact and increase the  
5       tax burden for businesses, corporations and  
6       job creators, because the evidence isn't  
7       there to do that.

8               But now the argument is we don't like  
9       that federal tax bill and it's going to cause  
10      our rich and wealthy downstate businesses,  
11      and I imagine some in upstate, to leave the  
12      State of New York. We've seen that argument  
13      from the second floor and the administration.

14             Can you explain that, how that  
15      differentiates from the type of tax structure  
16      we have in New York State where we promise a  
17      group of individuals who are making dollars,  
18      who create jobs, that we're going to sunset a  
19      tax that we placed on you to get through a  
20      bad budget period -- but then when the time  
21      comes, we just can't do that, I'm sorry.

22             Don't you think that sends a very bad  
23      message in terms of a commitment and a  
24      promise? And then start to berate the

1        federal government when we haven't even seen  
2        the jury come in on really the effects,  
3        because the effects to me look pretty good.  
4        If you're giving bonuses to your workers,  
5        that doesn't tell me they think that they're  
6        going to be leaving the State of New York or  
7        other states.

8                What's your feeling on that  
9        inconsistency, as I see it?

10               COMMISSIONER ZEMSKY: Look, I think  
11        the Governor's concerned about  
12        competitiveness for New York State. And I  
13        think we've all done a great job -- the  
14        Legislature, the Governor -- at being more  
15        competitive than we have been in the past as  
16        a state. So if you look at the tax rates,  
17        and depending -- you know, you could go  
18        through a long list of them, the impacts  
19        of --

20               SENATOR TEDISCO: Well, we lost  
21        190,000 of population. We're one of four  
22        states that have lost population in the  
23        United States. Does that indicate that all  
24        these good tax rates and things that are

1           happening, making people stay in New York  
2           State, get jobs and be happy and --

3                   COMMISSIONER ZEMSKY: Well, what I  
4           think it indicates is that we've become more  
5           competitive as a state. I can only speak to  
6           what I know, which is the state has become a  
7           lot more competitive, has exhibited a lot  
8           more fiscal discipline than it has in other  
9           years, is making significant investments in  
10          infrastructure and education.

11                   SENATOR TEDISCO: Why would they be  
12          leaving, 190,000?

13                   COMMISSIONER ZEMSKY: Sorry?

14                   SENATOR TEDISCO: Why would they be  
15          leaving, 190,000 in population, when other  
16          states are growing?

17                   COMMISSIONER ZEMSKY: You know, maybe  
18          it's too cold. I don't -- I don't know.

19                   SENATOR TEDISCO: Well, let me ask you  
20          this -- it is too cold. Bad weather.

21                   You've heard of Tax Freedom Day,  
22          haven't you?

23                   COMMISSIONER ZEMSKY: No, you'll have  
24          to remind me what Tax Freedom Day is.

1                   SENATOR TEDISCO: No, I didn't remind  
2                   you, I said you've heard of the tax  
3                   freedom -- I just wanted to know if you knew  
4                   about it.

5                   COMMISSIONER ZEMSKY: The Tax Freedom  
6                   Day?

7                   SENATOR TEDISCO: Yes.

8                   COMMISSIONER ZEMSKY: I'm not familiar  
9                   with it.

10                  SENATOR TEDISCO: It's a  
11                  calculation -- if you get the booklet they  
12                  put in place, they talk about the taxes in  
13                  every state and the mandates and the  
14                  regulations. Tax Freedom Day means when  
15                  everybody in this room who has a job actually  
16                  takes a dollar home to spend for their kid's  
17                  college tuition, their mortgage, to buy a  
18                  Thanksgiving turkey. It's in the middle of  
19                  May. January, February, March, April, May.

20                  In other words, every dollar you and I  
21                  earn and everybody in this room earns in  
22                  New York State goes to local, state, and  
23                  federal taxes until the middle of May.

24                  We're number-two in Tax Freedom Day.

1       In other words, we're way out there in terms  
2       of those five months. Number one is  
3       New Jersey and Connecticut. They're tied --  
4       dubious distinction of being tied for first.

5               It's difficult for me to comprehend  
6       that some of the suggestions you're making  
7       about tax rates and programs, and 190,000 in  
8       population leaving the state and being No. 2  
9       in not being able to take a dollar home,  
10       indicates we're moving in a positive  
11       direction. That's a pretty bad indicator,  
12       isn't it, to be No. 3 in when you can take a  
13       dollar home after you've worked for five  
14       months in the State of New York?

15              COMMISSIONER ZEMSKY: Well, what I  
16       would say is the economy is growing well in  
17       the State of New York. I would say we've  
18       done a great job of turning around  
19       long-dormant economies in the State of  
20       New York. I would say places like New York  
21       City, you know, and downstate are just having  
22       veritable booms.

23              SENATOR TEDISCO: Booms.

24              COMMISSIONER ZEMSKY: I would say that

1       we've exhibited -- we have had more success  
2       in exhibiting fiscal discipline. We have  
3       translated that into lower tax rates.

4               I think the Governor and the  
5       Legislature understands it's important for  
6       New York State to be competitive. The  
7       concern around the federal legislation is it  
8       makes it relatively more expensive to be a  
9       New Yorker, and that isn't good for our  
10      competitiveness or our economy.

11             So I think it was a fair criticism,  
12      because you're really limiting the  
13      deductibility of state and local taxes. That  
14      has a disproportionate impact on places like  
15      New York and California. So --

16             SENATOR TEDISCO: Well, when you talk  
17      about --

18             COMMISSIONER ZEMSKY: -- it's  
19      certainly reasonable to be concerned about  
20      the financial well-being of the residents of  
21      New York State, and it's important to be  
22      concerned about the competitiveness of  
23      New York State. And I think we've, you know,  
24      demonstrated that we can put in place

1 policies that make us more competitive.

2           You know, we're also -- you talk about  
3 education, we're also a state that actually  
4 now provides a tremendous education to so  
5 many people in New York without cost to them.  
6 And so we're providing opportunity for people  
7 in a way that many states don't provide. You  
8 know, we're doing a lot of investments that I  
9 think will put the state in a great situation  
10 going forward. I think our unprecedented  
11 investment in infrastructure, in education,  
12 is important.

13           All the many programs that I am  
14 familiar with that are having a positive  
15 impact in upstate I think are important and  
16 will pay great dividends going forward.

17           SENATOR TEDISCO: But aren't we  
18 hoisted on our own petard? Forty-five other  
19 states think this federal tax bill is great.  
20 It's the highest-taxed states in the  
21 nation -- us, Connecticut, New Jersey,  
22 California -- who are having difficulties.

23           COMMISSIONER ZEMSKY: It seems like  
24 it's all the blue states.



1                   SENATOR TEDISCO: Well, because  
2                   they're the highest-taxed states. You know,  
3                   let's not forget that. You can call them  
4                   blue, but blue means taxes. If it looks like  
5                   a duck, walks like a duck, quacks like a  
6                   duck, in New York State it's really a tax,  
7                   not a duck. And we've had a lot of ducks  
8                   here.

9                   And to suggest that we're doing just  
10                  fine with our rates and our taxes when these  
11                  other categories really illustrate that we're  
12                  not being that competitive -- and mandates  
13                  and regulations -- it's difficult to blame  
14                  the federal government for wanting to help 45  
15                  other states.

16                 And I agree with you. I paid my taxes  
17                 early this year so I could get that  
18                 write-off. But the only reason I need it is  
19                 because all the other taxes are so high in  
20                 the State of New York.

21                 COMMISSIONER ZEMSKY: I mean, I think  
22                 there are things we can do -- you know, we've  
23                 talked about some of the things. We have so  
24                 many governments in New York State it's

1           unbelievable.

2                   SENATOR TEDISCO: Well, that's another  
3           thing --

4                   COMMISSIONER ZEMSKY: We have, you  
5           know, redundant governments and redundant  
6           services. And boy, it would be nice, you  
7           know, in the 21st century to be able to  
8           address some of those things too.

9                   SENATOR TEDISCO: So we're going to  
10          bang local governments, who 75 percent of  
11          their taxes are mandated from the state. You  
12          get your tax bill from your local  
13          municipality, and they check off, I want you  
14          to know 75 percent of your cost of this bill  
15          that's coming is mandates from New York  
16          State.

17                   So we're going to ask those local  
18          municipalities, who I think consolidate  
19          pretty good, work very hard to save their  
20          money -- those mayors, those supervisors,  
21          those trustees, doing a terrible job with  
22          that 25 percent they have. I -- again, I  
23          don't think you can make them the whipping  
24          boys when we're fighting those mandates.

1                   CHAIRWOMAN YOUNG: Thank you, though.

2                   Thank you.

3                   SENATOR TEDISCO: Thank you,

4                   Commissioner.

5                   COMMISSIONER ZEMSKY: Thank you.

6                   ASSEMBLYMAN OAKS: Hi, Commissioner,

7                   Bob Oaks. And I'm going to just ask a few

8                   questions.

9                   I know Assemblyman Jones and others

10                  have mentioned some about broadband issues,

11                  and I appreciate your comments on that. And

12                  it appears that Round 3 that you were

13                  mentioning will have a significant investment

14                  from the state, still almost \$225 million of

15                  that original pot left to go in along with

16                  private dollars.

17                  In your comments you mentioned that

18                  once we have Round 3, we will have

19                  commitments to get up to 99.9 percent. Do we

20                  have any sense how long those commitments are

21                  going to play out? You know, my district is

22                  rural, so, you know, you've heard from some

23                  of the other rural people. And obviously

24                  it's hard for us to imagine now when we see

1           some of the people not served. And saying  
2           what Round 2 is going to do and what Round 3  
3           is going to do -- I'm excited to hear the  
4           99.9, just still a little skeptical, you  
5           know, in hearing that.

6                     But do we have any sense in how long  
7           it's going to take to get --

8                     COMMISSIONER ZEMSKY: Yeah. Well, I  
9           mean, if you -- look, it probably depends on  
10          the geography and the density or the lack of  
11          density. But certainly these awards are  
12          given with an understanding of what the time  
13          frame is.

14                    So if there's a specific area that  
15          you're looking for, we can provide you more  
16          detailed information. I wish I could tell  
17          you exactly off the top of my head. I think  
18          next year if we just submit all the questions  
19          in advance, I'll have every answer. But --

20                    ASSEMBLYMAN OAKS: Understood.

21                    COMMISSIONER ZEMSKY: We can find --  
22          if there's an area in particular, we can find  
23          out what the time frame is.

24                    But we're obviously -- you know,

1       having the award is the beginning of getting  
2       going on the project. This isn't a  
3       decade-long project, so we're eager to  
4       implement these ASAP. Many of them are  
5       underway. And, you know, I can -- we can  
6       drill down on exactly what area you're  
7       referring to, who got the award, what the  
8       time frame is to complete it. And, you know,  
9       that's -- it's not a mystery, I just -- I'm  
10      sorry, I don't know every award and what the  
11      time schedule is.

12                ASSEMBLYMAN OAKS: Understood. And I  
13      think, for me, it's just we continue to get  
14      people saying I'm not served, when can I  
15      expect it? Or are there things happening?  
16      And I think your remarks today allow us to at  
17      least go and say we're moving toward that.  
18      Being specific with people is obviously --

19                COMMISSIONER ZEMSKY: Yeah, and again  
20      we are happy to provide more specifics on an  
21      area in particular that are of concern to  
22      your constituents. I'm sure we can do that.

23                ASSEMBLYMAN OAKS: Thank you.

24                On the transparency issue, it was

1       asked earlier and you mentioned about you're  
2       tracking over 6,000 grants or projects at  
3       this point and you feel confident that you've  
4       made, in doing that, a lot of progress toward  
5       that transparency. And I applaud that.

6               I do think for a number of us, though,  
7       the whole REDC program, which I think many of  
8       us agree, as you stated, has done a lot to  
9       focus regions to see themselves  
10      differently -- not just islands, but as an  
11      entire region -- what they might do and the  
12      synergy of that and the connectivity of  
13      people who are on those boards, that that has  
14      been extremely good.

15             But I think some of the disconnect for  
16      some of us is there's -- the REDCs meet,  
17      there's recommendations, there's proposals,  
18      those go on to Albany, and then none of us  
19      really know. We wait for an announcement.  
20      But the whole process of determining who in  
21      the end is funded -- this one, that one and  
22      whatever -- I would suggest there's still,  
23      you know, on my end and I think on the  
24      legislative end, not really seeing or

1           understanding how that full decision process  
2           is made. I think we could do better along  
3           those lines.

4                   COMMISSIONER ZEMSKY: Okay.

5                   ASSEMBLYMAN OAKS: And I guess, you  
6           know -- the other thing is I know you  
7           responded to lump-sum-allocation things today  
8           and that \$300 million and others. I know the  
9           Comptroller put out a bill on transparency.  
10          I actually worked, working with my  
11          conference, to put together some legislation  
12          on that that would have more oversight on  
13          lump-sum things that -- for instance, in my  
14          proposal it would have the AG, the  
15          Comptroller, and the Division of the Budget  
16          would oversee some things so that we don't  
17          see any conflicts of interest.

18                   Because I -- or I guess I would ask,  
19          are you confident both with this  
20          administration and future administrations,  
21          that we have enough laws and regulation in  
22          place that we can be confident that there  
23          won't be abuses going forward? Or would it  
24          be good to look further at the Comptroller's

1           and other legislation that might provide more  
2           oversight?

3                   COMMISSIONER ZEMSKY: Well, look, I'm,  
4           you know, just a business guy. So we are --  
5           I'm extremely proud of the way ESD conducts  
6           itself, the oversight that it puts on  
7           projects, the way it navigates through the  
8           myriad layers of PACB and State Comptroller  
9           and everything else.

10                   You know, I couldn't be more  
11           comfortable with the oversight that Empire  
12           State Development is providing to all these  
13           projects. I hope everyone who's left here  
14           and everyone who was here previously in their  
15           heart of hearts feels that ESD does, in fact,  
16           provide incredibly robust oversight.

17                   I understand it is the nature of -- I  
18           have come to understand it is the nature of  
19           this process that there's this constant  
20           back-and-forth and skepticism. I appreciate  
21           that.

22                   We're doing a heck of a job with  
23           oversight of a myriad of projects. And there  
24           are many that we took control of that, you



1 know, were in some degree of stagnation, and  
2 many that we're accustomed to dealing with  
3 that we just do a great job with oversight  
4 and making sure that people are doing what  
5 they said they were going to do before they  
6 get the benefit that we said they're going to  
7 get. That -- we have a lot of experience  
8 with that, and we take it very seriously.

9 All of our disbursements go through  
10 PACB, they go through the Comptroller's  
11 office, they go through an incredibly  
12 thorough review, they go through procurement  
13 procedures and policies. And, you know, I  
14 don't know what 20 years from now will bring,  
15 but I can tell you today, right now, Monday,  
16 January 29th, in everything that I have seen  
17 during my time at ESD -- which is now three  
18 years -- I couldn't be prouder of those  
19 people. And you should be extremely  
20 confident in the way oversight is being  
21 handled.

22 ASSEMBLYMAN OAKS: Thank you.

23 CHAIRWOMAN YOUNG: Thank you.

24 Senator Jacobs.

1               SENATOR JACOBS: Commissioner, thank  
2               you for all your time here today and all you  
3               do for New York State and Western New York,  
4               where I'm from.

5               I just had a couple of quick questions  
6               on the Governor's proposal to defer  
7               business-related tax claims to 2021 and the  
8               refundable elements to as long as 2023.  
9               That, in my reading, would also read the  
10              historic tax credits and brownfields?

11             COMMISSIONER ZEMSKY: I -- I believe  
12              so.

13             SENATOR JACOBS: And I just wanted  
14              to -- and you mentioned this in your  
15              remarks -- coming from Buffalo, just  
16              encourage perhaps reconsideration of that.

17             Because in my perspective, and I think  
18              that the data would back it up, the two  
19              programs that have had the biggest impact on  
20              the revitalization of Buffalo and Western  
21              New York have been the Brownfield Tax Credit  
22              Program and the Historic Tax Credit Program,  
23              the state companion to the federal program.  
24              And I think about a billion dollars each in

1 private-sector investment in the last  
2 10 years.

3 And you had also mentioned the issue  
4 of momentum, and I think we have a lot of  
5 momentum going to stop the flow of credits --  
6 I mean, I agree with what was said -- I would  
7 hope that this is reconsidered for all the  
8 credits, but I think it could stymie the  
9 momentum that we've had going in the area.  
10 People who have expected these credits are  
11 not going to get them. Also people putting  
12 the brakes on new projects because they don't  
13 know what's going to be happening there.

14 So just hoping maybe that's something  
15 that could be reconsidered, because I think  
16 it's been such a boon in the area of Western  
17 New York.

18 COMMISSIONER ZEMSKY: I'm in that  
19 business. It's a big -- it's been a big  
20 driver for economic development, both  
21 brownfields and historic tax credits. And I  
22 don't know what else I can say about it other  
23 than yeah, we've depended on that, in upstate  
24 in particular, in part.

1           SENATOR JACOBS: Not just in -- I know  
2           statewide, but we were very active in Western  
3           New York to fight to make sure that it was  
4           preserved at the federal level, because  
5           originally it was proposed to be done away  
6           with in the original versions of at least one  
7           of the houses of the federal tax bill.

8           One other issue in my district I  
9           wanted to mention in regards to the Town of  
10          Tonawanda. As you know, the town two years  
11          ago, I think now, Huntley Power Plant closed,  
12          which had a huge impact. It was the biggest  
13          taxpayer in the town and the school district.  
14          Good for the environment but very challenging  
15          for the municipalities. I've been working  
16          with them a lot, and Robin Schimminger as  
17          well, to try to help them as they try to  
18          steer through this and restabilize their tax  
19          base.

20          An issue that has come out of that  
21          issue is many of the -- and as you know, that  
22          River Road corridor has a lot of significant  
23          manufacturers kind of epicenter, at least one  
24          of the areas in our area, manufacturing that

1 is doing well, still thriving, but many of  
2 those manufacturers derived their raw water  
3 for cooling from Huntley. That source is now  
4 in jeopardy because Huntley will not commit  
5 to long-term contracts.

6 I know that Joe Emminger has been  
7 talking with your office and that you're  
8 working with this, but we are working trying  
9 to help Tonawanda. Their water division is  
10 exploring creating a new source of raw water  
11 which they would service directly. The  
12 employers would contribute a significant  
13 amount themselves, up to \$10 million in a  
14 public-private partnership, to derive a new  
15 long-term source.

16 So I thank your department for working  
17 on that, and I look forward to working with  
18 you. This is something that needs to happen  
19 fairly quickly to lock this down. So some of  
20 these major investments that many of these  
21 employers are looking for to make their  
22 businesses competitive and grow their jobs  
23 really hang in the balance on this issue.

24 COMMISSIONER ZEMSKY: Understood. And

1 I know our office is working with you and  
2 working with others. So we're -- you'll find  
3 us to be a good and a responsive partner,  
4 obviously.

5 SENATOR JACOBS: Thank you very much.

6 CHAIRWOMAN YOUNG: Thank you.

7 ASSEMBLYMAN OAKS: Assemblyman  
8 Carroll.

9 ASSEMBLYMAN CARROLL: Thank you.

10 Good afternoon, Commissioner Zemsky.

11 I am the chair on the Subcommittee for  
12 Cultural Institutions and Museums in the  
13 State Assembly, and I'm very concerned that  
14 our NYSCA funding has dropped from  
15 approximately \$63 million in fiscal year '08  
16 to now, in fiscal year '19, to \$46,900,000.

17 We've talked a great deal this morning  
18 and afternoon about what the state is doing  
19 to spur economic development and growth in a  
20 whole host of industries, and I think  
21 specifically the NYSCA grants, they are this  
22 great incubator of both established art  
23 institutions and cultural institutions as  
24 well as emerging artists cultural

1       institutions throughout our state. And if we  
2       want to have a healthy, robust ecosystem that  
3       allows for the arts to thrive, I think the  
4       state really needs to fully invest in new  
5       young and emerging artists. And the NYSCA  
6       grants do just that.

7               So I'm very concerned that we've seen  
8       this precipitous cut. And I'd like to know  
9       your thoughts on the NYSCA funding and  
10      whether you see a way for us to increase  
11      funding back to 2008 levels.

12             COMMISSIONER ZEMSKY: Yeah, so I am  
13      not intimately involved with the NYSCA  
14      funding, obviously, at ESD. We are -- I can  
15      tell you -- well, I won't go into the  
16      experiences that I've had in a positive way  
17      in terms of the role of arts, cultural  
18      institutions, architecture. Where I live,  
19      it's a big driver. It's kind of part of what  
20      makes New York New York.

21             And, you know, there are some  
22      projects, potentially, you know, that can  
23      apply through REDCs or CFAs or things like  
24      that that, you know, make -- the expansion of

1       the Albright-Knox Art Gallery, the -- there's  
2       member items, there's potential state  
3       appropriations, there's other types of  
4       things. I can't speak exactly to what NYSCA  
5       funding is and it's not something I'm  
6       following day to day. But certainly  
7       philosophically, you know, we're supportive  
8       of arts as economic drivers, history,  
9       culture, cultural tourism. You know, art and  
10      architecture for Western New York, where I  
11      live, has been a big -- has had a big, very  
12      positive impact.

13               ASSEMBLYMAN CARROLL: Thank you.

14               COMMISSIONER ZEMSKY: I don't know --  
15      you know, it's not in our line-item budget.  
16      And I'm sure there's another hearing that's  
17      ideally suited for NYSCA, but it's probably  
18      not this one.

19               ASSEMBLYMAN CARROLL: Fair enough.  
20      Thank you so much.

21               CHAIRWOMAN YOUNG: Thank you.

22               Senator Diane Savino.

23               SENATOR SAVINO: Thank you,  
24      Commissioner. The beauty of going this late



1 in the testimony is most of the questions  
2 have been asked and answered four times by  
3 now. But I just want to focus on one aspect  
4 of the MWBE program, because I believe, if  
5 you recall last year, I brought up the issue  
6 that while I chaired the Senate Banking  
7 Committee, and as a member of the Labor  
8 Committee, we held two separate hearings  
9 around the issue of MWBEs' access to capital  
10 and the issue of prompt payment in the  
11 construction industry and how it affects  
12 MWBEs.

13 And as you know, many of the MWBEs --  
14 one of the things that gets in our way of  
15 achieving the 30 percent goal is very few of  
16 them have access to capital from the  
17 traditional lending sources. Even though  
18 there's some entity set up for it, they're  
19 not really reaching as many as they should.

20 And then for those who finally do get,  
21 particularly on the construction side, a  
22 state contract or they're able to work on a  
23 state contract, the worst payers in the state  
24 are the state, whether it's the MTA or the

1 Department of Transportation. And that came  
2 out in a hearing that was done by the Senate  
3 Labor Committee.

4 And that hurts the MWBEs at the end  
5 because, as you know, if they don't have  
6 access to capital and they can't make  
7 payroll, they get decertified under the  
8 program.

9 So I'm wondering if there's been  
10 anything done to improve those circumstances,  
11 whether it's prompt payment or even, you  
12 know, alternative access to capital.

13 COMMISSIONER ZEMSKY: If you're saying  
14 has anything been done to make the state a  
15 prompt payer --

16 SENATOR SAVINO: That would be  
17 helpful.

18 COMMISSIONER ZEMSKY: I can tell you  
19 what I understand about -- you know, in my  
20 own role at ESD dealing with the state, with  
21 the multiple layers of checks and balances  
22 and the way we scrutinize the way public  
23 money is spent and the back and forth with,  
24 you know, OSC and others. And not blaming

1           anyone; we all have a fiduciary  
2           responsibility and work together.

3                   But I tell people early on, the state  
4           is a tough customer. And if you want to do  
5           business with the state, there's a couple of  
6           things that you have to reconcile early on,  
7           and one of them is it's not a rapid payment  
8           system, that I have seen. But I've also  
9           experienced why that is. And there's, you  
10          know -- so I don't have a quick fix for that  
11          I can say honestly.

12                   I can't remember what the other part  
13          was. Can you refresh my memory of the other  
14          part?

15                   SENATOR SAVINO: The access to capital  
16          for MWBEs.

17                   COMMISSIONER ZEMSKY: And the project  
18          has been successful. The MWBE Access to  
19          Capital, you're talking about the loan  
20          program?

21                   SENATOR SAVINO: Yes. If you can talk  
22          about that, yes, that would be helpful.  
23          Because I raised it last year, and I remember  
24          you had suggested some solutions. And I was

1           just wondering, are we seeing the kind of  
2           improvements in access to capital because  
3           many of the --

4                   COMMISSIONER ZEMSKY:  It's been very  
5           thoroughly used and subscribed.  It's not an  
6           underutilized program.  I think it's done  
7           what it was intended.

8                   I could look at my cheat sheet and go  
9           through exactly what the dollar amounts in  
10          our 852 different programs, but --

11                   SENATOR SAVINO:  You don't have to.  
12          You can get it to me later.  You've been  
13          sitting in the chair a long time.

14                   COMMISSIONER ZEMSKY:  Yeah.  But  
15          we're -- Access to Capital is one of those  
16          programs where I think it has done and  
17          accomplished what it was originally intended.  
18          And it's obviously been focused on a lot of  
19          MWBE firms, so -- focused on MWBE.

20                   But I'm happy to have our team provide  
21          you with, you know, more detailed information  
22          on the Access to Capital program  
23          specifically, how much money has been --

24                   SENATOR SAVINO:  I'd appreciate it.

1                   COMMISSIONER ZEMSKY:  -- you know,  
2                   lent out, how many different firms took  
3                   advantage of it, how do we do it.

4                   SENATOR SAVINO:  Thank you.

5                   And one final -- more of a point, not  
6                   really a question, following up on the  
7                   comments by Assemblywoman Peoples-Stokes and  
8                   Jean-Pierre.

9                   I also have been a firm believer over  
10                  the years that we should shift our childcare  
11                  programs from being part of social services  
12                  to economic development.  One of the biggest  
13                  problems that women have staying in the  
14                  workplace is access to affordable, safe  
15                  childcare.

16                 Our current programs are means-tested,  
17                 and if you make one dollar more, you're not  
18                 eligible.  And we know that one of the things  
19                 that drives women out of the workplace for  
20                 extended periods of time is childcare.  When  
21                 they realize that they don't make as much  
22                 money as they're spending, it's a pretty easy  
23                 financial decision to stay home.  In the long  
24                 run, though, that does tremendous harms to

1           women, particularly in their retirement. The  
2           inability to save, the inability to  
3           contribute to your retirement plan, gaps in  
4           your Social Security does real damage to  
5           women's long-term financial stability.

6                       So it's more of a comment. And I  
7           just -- I think as women in general, we  
8           should push more towards having childcare  
9           programs as part of our economic development  
10          programs. Thank you.

11                      COMMISSIONER ZEMSKY: Understood.

12                      CHAIRWOMAN YOUNG: Thank you.

13                      ASSEMBLYMAN OAKS: Assemblyman Bronson.

14                      ASSEMBLYMAN BRONSON: Hello,  
15          Commissioner, again.

16                      COMMISSIONER ZEMSKY: Hello.

17                      ASSEMBLYMAN BRONSON: Earlier when we  
18          spoke, we talked about the transparency,  
19          accountability, clawbacks, and making sure  
20          that we're actually creating jobs with the  
21          economic development dollars we're expending.

22                      As chair of the Commission on Skills  
23          Development and Career Education, I'd like to  
24          shift our conversation to workforce

1 development. And very pleased to see that  
2 the Governor put a number of new initiatives  
3 and expanded initiatives in the budget.

4 First, a pretty basic question. The  
5 Office of Workforce Development, is that  
6 going to be under the Department of Economic  
7 Development or someplace else within the  
8 administration?

9 COMMISSIONER ZEMSKY: To be  
10 determined.

11 ASSEMBLYMAN BRONSON: To be  
12 determined, okay.

13 And the Governor is proposing  
14 \$175 million for workforce development to be  
15 distributed through the CFA process. Do you  
16 know, is the entire \$175 million new money or  
17 is it repurposing existing lines of funding?

18 COMMISSIONER ZEMSKY: I don't believe  
19 it's entirely new funds. So I think to some  
20 extent it's repurposed, but we can give you  
21 our understanding of exactly how that breaks  
22 down.

23 ASSEMBLYMAN BRONSON: Okay. And in  
24 connection with that funding, are there --

1       there's currently other resources and other  
2       funding streams within economic development  
3       for workforce development; correct? And  
4       could you -- what are those? And can you put  
5       a dollar amount on what's existed in years  
6       past?

7               COMMISSIONER ZEMSKY: Well, I can't  
8       put a dollar amount on it, but I can tell you  
9       that through CFAs, because we -- the economic  
10      development strategy that we follow includes  
11      workforce as an important component of how we  
12      think about economic development. So, you  
13      know, there are a number of workforce  
14      development projects that get funded across  
15      the state, in every region. And then in some  
16      regions where there's some more discretionary  
17      dollars, like upstate revitalization  
18      initiatives, there -- or maybe you know,  
19      Monroe Community College has had some  
20      extraordinary funding. You know, the  
21      Northland Workforce Training Center will have  
22      some extraordinary funding. You know, there  
23      will be some projects that access some of the  
24      economic development dollars more broadly,



1 through some of the URI regions and also  
2 through CFAs.

3 ASSEMBLYMAN BRONSON: So that actually  
4 leads to my next question, which is what are  
5 the strategies that you've been using and  
6 that you anticipate using that will make sure  
7 that there's flexibility in that funding?  
8 And, with that flexibility, to meet the needs  
9 of the business community for job training,  
10 and also the policies of the localities.

11 And by that I mean, you know, we talk  
12 often of a skills gap, we talk about in the  
13 photonics area there will be emerging  
14 workforces. In the food processing industry  
15 in the Finger Lakes region, there was a lot  
16 of emerging workforces that were developed.  
17 Expanding workforces or those workforces  
18 where the workers are aging out and there's  
19 not a pipeline.

20 So that's on the demand side, to make  
21 sure we meet that, so I need to know the  
22 strategies there, but also on the policy  
23 side. And so with the R-MAP, the  
24 Rochester-Monroe County Anti-Poverty

1 Initiative, we've identified ways and the  
2 need to get hard-to-place people into jobs.

3 So what strategies are you  
4 anticipating that your agency will use to  
5 meet those two goals?

6 COMMISSIONER ZEMSKY: Well, we work  
7 with DOL and we work with economists and we  
8 collect a lot of data on what jobs are  
9 unfilled, what the age of different workers  
10 are in certain industries, what are the  
11 industries that are strategic industries for  
12 the region, what does the retirement cliff  
13 look like, what are the skill shortages going  
14 to be.

15 Then we will work to align the skills  
16 that industry is looking for with the  
17 workforce training provider, so that we have  
18 a match between those types of skills and the  
19 skills that the region is in short supply of  
20 and projects to be in short supply of.

21 And that's why you see things like at  
22 Northland, you see the specific welding or  
23 advanced machining or any number of  
24 industries that were identified in our plan

1 as being in short supply through the  
2 retirement cliff, you know, that we're seeing  
3 in different industries.

4 ASSEMBLYMAN BRONSON: And is there --  
5 you know, some places like Monroe College,  
6 they are looking at wage and labor data to  
7 identify where the job training needs are to  
8 meet potential opportunities for employment.  
9 Are you planning on doing any of that through  
10 your workforce development initiatives?

11 COMMISSIONER ZEMSKY: Yeah. Exactly.

12 ASSEMBLYMAN BRONSON: Good.

13 And then, you know, it's interesting,  
14 you know, people define workforce development  
15 in different ways. What kind of parameters  
16 are you including in your workforce  
17 development initiatives, the agency?

18 COMMISSIONER ZEMSKY: So, right, we're  
19 looking at what I think can -- where we can  
20 provide the skills that are needed that are  
21 aligned with community colleges and similar  
22 community-based organizations, potentially,  
23 or private colleges that are -- can help fill  
24 jobs relatively quickly and help right-skill

1 people in the communities relatively quickly  
2 so that we can have an impact relatively  
3 quickly.

4 This isn't about funding more Ph.D.  
5 candidates or things like that, just to put  
6 it on the spectrum of how wide these things  
7 could theoretically go. So we're looking to  
8 provide the skills that will expand the  
9 workforce in the region and provide employers  
10 with skills that are in short supply, and  
11 that we can make that match in fairly short  
12 order, hopefully.

13 ASSEMBLYMAN BRONSON: Okay. My time  
14 is up, but I look forward to having further  
15 discussions about that.

16 COMMISSIONER ZEMSKY: Okay. Great,  
17 yeah, we'd love to.

18 CHAIRWOMAN YOUNG: Thank you.

19 Senator Krueger.

20 SENATOR KRUEGER: Thank you. I want  
21 to start by saying I appreciate what you do.  
22 I'm very impressed with the staff in your  
23 agency.

24 COMMISSIONER ZEMSKY: Thank you.

1                   SENATOR KRUEGER: I don't think we  
2                   should actually have you doing any of the  
3                   things we're discussing today. I don't  
4                   actually believe the State of New York should  
5                   be in the winning -- winners and losers  
6                   categories in our economy. We should be  
7                   supporting everybody, but having a --  
8                   shockingly, a flatter, lower business tax, as  
9                   Jim Tedisco suggested. I have a million  
10                  questions that I think should be your job,  
11                  but I'm not sure you would be able to answer  
12                  them.

13                 And so you did highlight -- yes, I  
14                 looked through your reports. I wait to see  
15                 them, so I'm glad that they are getting  
16                 clearer and -- although I guess we'll see  
17                 another one this week. But what I want to  
18                 ask you are things that I've actually heard  
19                 today. How do we measure the greatest  
20                 success when the state decides to invest  
21                 through our tax policy or straight out  
22                 people's tax dollars?

23                 I believe that low-income housing is  
24                 one of the best economic generators in the

1 state, based on research, but I'm not  
2 sure that's in your agency's job description  
3 to evaluate or tell us about.

4 I'm not a big believer that gambling  
5 creates any economic activity except for the  
6 owners of casinos once you've built them, but  
7 I'm not sure that you're the one I'm allowed  
8 to ask about that, because that's not your  
9 bailiwick.

10 I just heard discussion of if we had  
11 childcare, we could assure women could stay  
12 in the workforce. I heard a discussion about  
13 film and TV tax credits before, and arts  
14 being an economic driver. But I don't think  
15 that you would be in a position to tell me  
16 when is an investment at value added and when  
17 is enough is enough, because there are  
18 serious questions about underinvesting in  
19 certain of these activities and the argument  
20 that we are overinvesting in some of them.

21 How do we get your job description to  
22 be different? Because I don't know who to  
23 ask all these questions, or they're not  
24 coming before us. But those are, it seems to

1       me, the fundamental questions for the State  
2       of New York. What works, what doesn't, how  
3       much are we spending, are we getting a return  
4       for it, and is there a standardized measure.  
5       And it shouldn't be a unique set of  
6       categories that you look at which excludes  
7       the vast majority of economic activity that  
8       the State of New York has some investment in.

9               The tax expenditure budget,  
10       \$26 billion of exemptions and credits in the  
11       tax system. How do I know if any of them are  
12       actually creating jobs or not? And shouldn't  
13       I be able to ask someone that?

14              So if you hear frustration it's  
15       because I think we're missing the mark about  
16       what we actually ask you and your people to  
17       do.

18              COMMISSIONER ZEMSKY: You know, I  
19       think maybe we've had -- I think one of the  
20       things I think we can be proud of is that we  
21       have, I think, changed the definition of  
22       economic development in a broader way over  
23       time. Really, we have some empirical  
24       evidence, I think, in terms of conceptually

1        what works. It's the reason why we define  
2        economic development the way we do now, which  
3        is probably different than we defined it  
4        10 years ago or seven years ago.

5                So I don't have all the answers to  
6        your philosophical questions, but I will say  
7        this. We philosophically believe that  
8        economic development is way more than  
9        supporting companies or their investments.  
10       That's one piece of the puzzle. And we think  
11       it's an important piece, you know, to grow  
12       the tradable sectors of the economy. And  
13       we -- particularly when we have discretion to  
14       do that, I think we do a great job of doing  
15       that.

16               We believe wholeheartedly that  
17       revitalization of these downtown areas has  
18       every bit as much to do with economic  
19       development as anything else. And by the  
20       way, we believe that having no policy for so  
21       many years around land use in many parts of  
22       the state has had a negative impact on the  
23       economy over time.

24               So for example, when we sprawl over



1 all of upstate and we lose 20 percent of our  
2 population over 40 years, but spread over  
3 300 percent of the land mass -- we lose  
4 20 percent of the population and it's spread  
5 over 300 percent of the land mass -- those  
6 decisions put us in uncompetitive  
7 circumstances by definition, because we are  
8 just spreading more and more infrastructure,  
9 maintenance, redundant systems, redundant  
10 services, you name it -- police, fire,  
11 schools. We love them all, but we have more  
12 and more and more of that expense and  
13 maintenance over fewer and fewer people, so  
14 the burden falls on fewer people. It makes  
15 it expensive to do that. We never really had  
16 those types of strategies.

17 So we focus on those types of  
18 things -- land use, downtown -- as part of  
19 economic development. We didn't used to talk  
20 about that before as part of economic  
21 development. We talk about workforce  
22 development, which is an important part of  
23 economic development -- and it's also an  
24 important part of economic development with

1       respect to equity. Because while you're  
2       sprawling like we did, you're making it more  
3       and more difficult for people who are poor,  
4       who are often in the city, to get to work.  
5       So you're compounding the problem. You're  
6       making it more expensive for everyone, but  
7       you're also making it more difficult for  
8       people to find employment because you've  
9       spread it out all over the place, can't take  
10      public transit to get there, now you have to  
11      change buses three times and it takes you an  
12      hour and 15 minutes.

13               So we identify that as an issue. We  
14      identify downtown vitality as an issue. We  
15      identify the loss of young people as a huge  
16      issue. And while we're focused on these  
17      things, there was a great paper recently that  
18      Brookings put out about the accelerating rate  
19      of growth in the major urban markets and how  
20      difficult it is for smaller urban markets to  
21      keep up. And they're falling further and  
22      further behind, and the gap is widening.

23               People are more mobile, you're not  
24      tethered to the factory as much in the

1 digital economy, you take your laptop and you  
2 can go elsewhere. So we identify these as  
3 real issues, and then we say what are really  
4 real strategies to address them? How do we  
5 keep young people here? How do we get them  
6 back? And there's not any one thing.

7 But I think New York has an  
8 enlightened approach to economic development  
9 in many ways. Regionally -- I ask you all to  
10 please support the strategic regional  
11 approach to economic development. It is  
12 important and it has paid great dividends.  
13 And it has taken this from a spectator  
14 sport -- across the state, this was a  
15 spectator sport: I wonder what Albany's  
16 going to do, I wonder what -- that is not a  
17 great way for a state with a \$1.34 trillion  
18 economy and almost 20 million people to do  
19 economic development.

20 Put those people in the game. They  
21 have a vested interest in their future.  
22 Develop strategic plans. Identify  
23 opportunities. And you're getting free  
24 labor -- it's fabulous, you're getting tons

1 of good free labor doing that, and it's had a  
2 big impact.

3 Focus on downtown. Continue to do  
4 these downtown revitalizations. It has been  
5 so fabulous, where I live, how the  
6 waterfront -- that's an ESD subsidiary there,  
7 Canalside USA, Niagara, and Niagara Falls.  
8 You say how can something like that change  
9 the attitude of a city? It does. It is  
10 amazing, you know, the amount of people that  
11 are coming back. I know not all of you live  
12 in upstate New York, but the amount of people  
13 that are coming back, the amount of cities  
14 that are now being identified as havens for  
15 millennials, the growth again of the young  
16 population -- those are all part of our  
17 strategies of downtown revitalization,  
18 creating cool places and spaces,  
19 entrepreneurship, business plan competitions.

20 No, they're not all perfect, but  
21 they're all important parts of this strategy.  
22 Workforce, giving people the skills that  
23 they're looking for so we can get everyone  
24 working together. Investing in innovation,

1       the Centers of Excellence, the CATs -- yes,  
2       even START-UP NY, which doesn't, you know,  
3       change in one program all of our prospects,  
4       but it's an important part of keeping these  
5       young companies there. All of that  
6       excitement around entrepreneurship and  
7       start-up businesses and craft beverages and  
8       vitality and complete streets and historic  
9       tax credits and waterfront activation, it all  
10      works together in an unscientific way -- I  
11      can't measure it exactly, and I can't tell  
12      you how many jobs are associated with  
13      waterfront development versus workforce  
14      development.

15                It's more -- it's easier for us to  
16      tell you how many jobs is GEICO going to  
17      create. But GEICO and all the other  
18      companies that I talk to across the state,  
19      you know what they want to talk about? They  
20      want to talk about downtown. Because every  
21      company is now a tech company. Right?  
22      There's not like, oh, this is a tech company,  
23      this is not. Every company uses technology.  
24      And they want to be able to attract really

1           good people to their communities. And they  
2           say, in order to do that, you've got to turn  
3           those old buildings into cool loft apartments  
4           and you've got to activate the waterfront.

5                       So it's not scientific, but it's  
6           important, and we are doing it in New York.  
7           We are doing it in New York. I can read you  
8           article after article of what's happening in  
9           upstate and revitalization in the city that I  
10          love, and it's just a fabulous thing. And I  
11          thank you for supporting it. It has been so  
12          important to have that latitude to perform  
13          economic development differently than we've  
14          done in the past. And I'm so grateful for  
15          the Governor, who has this holistic --  
16          thankfully he was -- in his history he has a  
17          HUD background, he appreciates urban  
18          development, he appreciates housing, he  
19          appreciates the holistic approach that you  
20          referred to to economic development. And  
21          that's why this job has been so gratifying.

22                      SENATOR KRUEGER: So I'm out of time.  
23          I might come back for a second round. But it  
24          sounds like you're making a case for the

1 smaller projects and away from the  
2 megaprojects.

3 COMMISSIONER ZEMSKY: You know what,  
4 most of what we do are not the business --  
5 you know, for people who say, Oh, that's  
6 corporate welfare, or that's subsidization --  
7 I know there's some high-profile projects  
8 that get lots of attention. But if you  
9 looked at it objectively, those are very,  
10 very small in total percentages of all that  
11 we do through these CFAs and REDCs. And if  
12 you, you know, toured the state in each  
13 region and looked at all the projects, it's  
14 making great cities, it's making great  
15 places, it's investing in things that most  
16 people can take advantage of.

17 And, you know, we tend to save the  
18 business development projects for -- we tend  
19 to save the business development projects for  
20 things like Excelsior tax credits and other  
21 things that actually in many ways don't have  
22 to get funded through the CFAs and aren't  
23 funded through the CFAs and aren't funded  
24 through the REDCs.

1           So, you know, we do all of it, but  
2           mostly we're creating the ecosystem and  
3           infrastructure for private-sector investment.  
4           You know, when you look at the High Line in  
5           New York and you say -- I've been on the  
6           High Line I don't know how many times.  
7           You've been on the High Line. You know  
8           what's remarkable about the High Line? Not  
9           only how clever it was, and creative --  
10          what's remarkable about it is how much  
11          investment -- from an economic development  
12          standpoint, how much investment has happened  
13          contiguous to the High Line, in proximity to  
14          the High Line.

15                 You can say the same thing about  
16          Millennium Park in Chicago, you can say the  
17          same thing about the Inner Harbor in Buffalo.  
18          And you can say the same thing, in time,  
19          about the Genesee River in Rochester, I hope.  
20          And we can just keep saying those types of  
21          things. When you make investments in good  
22          infrastructure like that, it has a very  
23          positive economic impact. And the reason  
24          people bought the former HSBC Tower is



1       because of what's going on around it and how  
2       desirable it is to be in downtown Buffalo  
3       now.

4               And you can't separate any of these  
5       things from any of the other things. They're  
6       all interconnected to create an ecosystem of  
7       investment, of innovation. You know, the  
8       acid test is what are the 20-year-olds doing.  
9       It is the acid test for me, because I've got  
10      three of them. So when I -- if you  
11      interviewed my children and their friends and  
12      their friends' friends and you said "What  
13      would you say about Buffalo when you were 17  
14      versus what do you say about it when you're  
15      27," right there is the acid test. It's not  
16      science, it's the acid test.

17             "I knew I was going to leave Buffalo  
18      when I was 17, we all knew we were going to  
19      leave Buffalo when we were 17. But now at  
20      27, my friends are coming back, we're excited  
21      to be here, and we see a future." That, my  
22      friends, is what this is all about. And it  
23      has so totally changed the trajectory of some  
24      of these places that were almost left for

1 dead. And I hate to say it that way.

2 CHAIRWOMAN YOUNG: Thank you.

3 CHAIRWOMAN WEINSTEIN: Assemblyman  
4 Walter.

5 ASSEMBLYMAN WALTER: All right, thank  
6 you. Thanks for hanging in there. What's  
7 five more minutes?

8 COMMISSIONER ZEMSKY: Let's go, baby.

9 ASSEMBLYMAN WALTER: You know, I agree  
10 with everything you just said. I mean, I  
11 think when we focus on those infrastructure  
12 things, building the foundation of an  
13 economy, I'm with you. But, you know, a lot  
14 of what we've done and a lot of what the  
15 Governor has made his, you know, bones on,  
16 the announcements and pronouncements  
17 constantly are these bigger projects. And  
18 unfortunately, those are the ones that get  
19 the headlines, whether we're talking about  
20 the film hub in DeWitt or Nano Utica and the  
21 {inaudible} SAG Soraa LED facility which  
22 we've talked about today. I mean, all of  
23 these are projects where we've made huge  
24 state investments, and they have not, you

1 know, come to fruition.

2 Which brings me to SolarCity/Tesla/  
3 Panasonic. Our original agreement, I  
4 believe, was with a company called Silevo,  
5 which was then bought out by SolarCity. And  
6 that agreement has been renegotiated numerous  
7 times, I think, at this point. We talked a  
8 little bit about clawbacks. Can we talk  
9 about the status of that plant, the Panasonic  
10 manufacturing facility or whatever it's  
11 called at this point -- the status of that,  
12 the jobs being created there, what clawback  
13 provisions there may be if they fail to live  
14 up to the promises, and do we still have an  
15 agreement that's enforceable and in place  
16 even after all of the changes as far as  
17 ownership and things like that?

18 COMMISSIONER ZEMSKY: Yeah. So the  
19 company that is -- is Tesla. So Silevo was  
20 acquired by SolarCity, Tesla acquired  
21 SolarCity and all of their agreements. So  
22 the agreement is in place with ESD.

23 And the plant now has close to  
24 500 people. It's ramping up. So it's good

1           to see that project taking hold. And we do  
2           have clawback provisions in the contract with  
3           Tesla. I don't recall what the dollar amount  
4           is, but it's not inconsequential. And their  
5           commitments are still 1400-some-odd people in  
6           Buffalo and Western New York. And they are  
7           committed to that, and they continue to ramp  
8           up their production.

9                   Obviously, they have some new  
10          products, and how quickly they ramp up is  
11          probably going to depend in part on how  
12          quickly their products meet success in the  
13          market. But right now it's looking good and  
14          we're excited to see them, you know, really  
15          get going and ramping up.

16                   ASSEMBLYMAN WALTER: And I can't hear;  
17          you said we're close to 500 manufacturing  
18          jobs there at this point?

19                   COMMISSIONER ZEMSKY: Yeah, between  
20          Panasonic and Tesla.

21                   ASSEMBLYMAN WALTER: Okay. And the  
22          1400 is total jobs, not necessarily specific  
23          manufacturing jobs.

24                   COMMISSIONER ZEMSKY: Well -- right,

1 I'm sorry, manufacturing jobs, jobs  
2 associated with and under the employment of.  
3 So I'm not distinguishing between someone in  
4 human resources and someone in manufacturing,  
5 but someone who is working for the company in  
6 that -- in our community.

7 ASSEMBLYMAN WALTER: Okay. That's  
8 interesting. So you're talking about --  
9 we're not talking about associated jobs,  
10 though. We're not talking about like  
11 suppliers and things like that, we're talking  
12 specifically employed, getting a paycheck  
13 from ultimately Tesla?

14 COMMISSIONER ZEMSKY: Right. Yeah.

15 ASSEMBLYMAN WALTER: Okay, great.  
16 Well, good. I mean, I think that we can all  
17 agree with the investment that we've made, we  
18 want that to succeed.

19 COMMISSIONER ZEMSKY: Yeah. No, it's  
20 Tesla jobs.

21 ASSEMBLYMAN WALTER: Okay, great.  
22 Thank you very much. Appreciate all your  
23 time.

24 COMMISSIONER ZEMSKY: Thank you.

1                   CHAIRWOMAN YOUNG: Thank you.

2                   Senator Kaminsky.

3                   SENATOR KAMINSKY: Good afternoon.

4                   COMMISSIONER ZEMSKY: Hello.

5                   SENATOR KAMINSKY: I know you've  
6 gotten some questions about the Islanders  
7 already. I'll just offer you a quick point  
8 and a question.

9                   First of all, I really appreciate your  
10 staff's attentiveness and movement on the  
11 project so far.

12                   With respect to the train station at  
13 Belmont, I really believe that making it the  
14 best project it could be and perhaps even  
15 making it a successful project really depends  
16 on that. It's not really just like a  
17 supplemental side piece. You know, if you  
18 think about it, Belmont is at the western  
19 edge of Nassau, but many Islander fans --  
20 most Islander fans will be coming from east  
21 of that position.

22                   So in order to build a spur that will  
23 get people off the roads and on the trains  
24 into the stadium, it's really not enough that

1           we have a station that takes people from the  
2           west, but also from the east.

3                   And so I would just ask that ESD focus  
4           on that not as the icing on the cake but as  
5           part of the actual cake, to make sure that it  
6           helps make Belmont the best project possible.  
7           I think that the concerns we hear from people  
8           largely -- one of the large components is  
9           about traffic. And I certainly believe that  
10          the community itself is desperate for a  
11          full-time rail station, which this would  
12          obviously create as well.

13                   So it's a critical piece that I'm  
14          hoping that you could focus on and track and  
15          work with Chairman Lhota on to make sure that  
16          can get done to make it a truly game-changing  
17          project.

18                   Having the Islanders leave Long Island  
19          was one of those acid tests that you spoke  
20          about, about a decline. Having them back I  
21          think sends the opposite, wonderful message.  
22          And I think getting there in mass transit is  
23          something that all kind of modern arenas and  
24          stadiums try to aim for, and we should too.

1                   COMMISSIONER ZEMSKY: No -- okay,  
2                   yeah. No, I understand the access to the  
3                   game. I mean, being able to use transit to  
4                   get there would be, you know, very helpful.  
5                   I know Long Islanders are accustomed to  
6                   getting in their cars oftentimes and going  
7                   to -- the Nassau Coliseum, for example, was a  
8                   big massive parking lot.

9                   But, you know, having the right rail  
10                  infrastructure and the right access I think  
11                  will do a lot for that whole venue. Because  
12                  it's more than just the Islanders too, of  
13                  course.

14                 SENATOR KAMINSKY: Yeah. When  
15                 Chairman Lhota was here on Thursday, he gave  
16                 a very I think honest and eye-opening  
17                 assessment of, Look, I can't tell you a cost,  
18                 I can't tell you a time frame, but it's going  
19                 to be a significant project to develop a spur  
20                 in that direction. And that generated some  
21                 news of whoa, whoa, whoa, we thought there  
22                 would be mass transit involved, is this now  
23                 in question?

24                 So I would just ask that you stick to



1           it and push for it to be an essential part of  
2           the project.

3                   COMMISSIONER ZEMSKY:   Okay.

4                   SENATOR KAMINSKY:   Thank you.

5                   And also so far the community  
6           engagement has been good with respect to the  
7           Elmont community.  I hope that can continue,  
8           as there's a certain amount of fear out there  
9           as to what the project will mean for that  
10          community.

11                  I think if done the right way in terms  
12          of helping the small businesses there, jobs  
13          in the community, community centers, other  
14          things for the community, this could be  
15          really helpful.  And I'd just also ask that  
16          you make sure that your staff, which I've  
17          enjoyed working with so far, continues to dig  
18          in and push for that community engagement.

19                  COMMISSIONER ZEMSKY:   Great.  You got  
20          it.  Absolutely.

21                  SENATOR KAMINSKY:   Thank you so much.

22                  COMMISSIONER ZEMSKY:   Yup.

23                  CHAIRWOMAN YOUNG:   Thank you.

24                  Senator Kennedy.

1           SENATOR KENNEDY: Thank you again,  
2 commissioner.

3           You know, you have several different  
4 titles. It's -- I'm often confused which one  
5 to call you. But I will tell you --

6           COMMISSIONER ZEMSKY: Call me hungry.  
7 (Laughter.)

8           SENATOR KENNEDY: Well, we'll try to  
9 move quickly here.

10          Thank you again. You know, I  
11 mentioned it earlier, your continued service.  
12 And we touched on so many different aspects  
13 of what's happening across the state. It's  
14 really a demonstration of your expertise and  
15 your leadership that you just keep everything  
16 in order the way that you do. We're very,  
17 very lucky to have you.

18          COMMISSIONER ZEMSKY: Thanks.

19          SENATOR KENNEDY: Taking it back again  
20 to Buffalo, I want to talk about the  
21 Northland Corridor. You know, what started  
22 as a \$44 million investment, I believe, has  
23 transpired into upwards of \$100 million --  
24 the training center, whatnot. Just a couple

1 of quick comments on that.

2 It looks like we have about a 20,000  
3 job vacancy estimation in the next 10 years.  
4 The Buffalo News talked about the "gray  
5 tsunami" that's headed our way, especially in  
6 manufacturing. I just want to ask about the  
7 training facility -- how ESD is going to work  
8 with, you know, BUT-C {ph}, local  
9 institutions, ECC, Alfred State, UB, Buff  
10 State and other feeder institutions to  
11 recruit students and adult learners for the  
12 inaugural class as well as the outyears.

13 COMMISSIONER ZEMSKY: Say again?

14 SENATOR KENNEDY: How is ESD going to  
15 work with the areas of higher education to  
16 make sure that that first inaugural class is  
17 ready to go and we hit the ground running?

18 COMMISSIONER ZEMSKY: We are  
19 partnering with Erie Community College, we're  
20 partnering with Alfred State, I believe.  
21 We're partnering with the community in a lot  
22 of different ways for that project. Buffalo  
23 Urban League, Community Foundation.

24 SENATOR KENNEDY: Student recruitment,

1           that sort of thing? Getting the message out  
2           now?

3                   COMMISSIONER ZEMSKY: Yup, all of it.  
4           We're reaching out into the neighborhood.  
5           We've got a head of Northland now, Stephen  
6           Tucker, who's fabulous. We are -- we have --  
7           all that has begun. I mean, we are not going  
8           to be open for business without customers, I  
9           can assure you. So that outreach has been  
10          ongoing, and we're excited with all the  
11          partners we have there.

12                   SENATOR KENNEDY: That's great.

13                   Another thing that the Buffalo Niagara  
14          Partnership has come out with recently as one  
15          of their priorities is making sure that not  
16          only individuals that are unemployed, but  
17          underemployed, folks that are actually  
18          working today, get connected to those skills.  
19          We've talked about it, you've discussed it  
20          here today.

21                   Can you talk about how ESD can spend  
22          some of that training money, particularly  
23          through the Northland Corridor training  
24          facility, on connecting adults to furthering

1       their training, to connecting with some of  
2       these higher-level technical positions?

3               COMMISSIONER ZEMSKY: Well, one of the  
4       things that we have as part of the Buffalo  
5       Billion II initiative is this workforce  
6       development training competition, actually,  
7       where we're inviting the community, both  
8       community colleges but other neighborhood  
9       not-for-profits and others, to really make  
10      their case for how we can help them expand  
11      what they're doing, show us success they've  
12      had providing workforce development.

13             I can give you an example. In -- not  
14      far from the Larkin neighborhood, Harvest  
15      House does an amazing job in workforce  
16      development. It's not a community college,  
17      but they do an amazing job. Other  
18      organizations on Bailey Avenue do an amazing  
19      job.

20             It's not -- and some of it is not  
21      just, you know, first-time jobs. A lot of it  
22      is how do you get the skills you need to  
23      really step up in your career and see more  
24      opportunity. So we're working with community

1 colleges, but we're also really casting a  
2 wide net and looking to support organizations  
3 that have demonstrated an ability to help  
4 people right-skill and step up in their  
5 careers and provide opportunities. So that  
6 is something that's going to be very active  
7 in 2018.

8 SENATOR KENNEDY: That's great.

9 You know, it was touched on before,  
10 the new \$300 million new capital fund for  
11 high-technology innovation and economic  
12 development infrastructure programming  
13 towards advanced science and technology. We  
14 know that with the new burgeoning Buffalo  
15 Niagara Medical Campus that there are jobs  
16 coming online which folks in our community  
17 need to be trained for. And, you know, we've  
18 been discussing with various higher education  
19 institutions how we can work together with  
20 ESD and other entities in order to make sure  
21 that we are training folks locally for these  
22 jobs in healthcare.

23 And I just wanted to see what your  
24 thoughts were on that and moving forward and

1       just really building that base of support,  
2       building that training mindset for those in  
3       our community that wish to go in the  
4       healthcare field, especially as those jobs  
5       come online.

6               COMMISSIONER ZEMSKY:  Yeah.  And  
7       again, the fact that we are making all these  
8       investments in kind of a dense area is so  
9       important.  You know, it will provide  
10      economic opportunity for, you know, as many  
11      people as possible in the region.

12             And we are looking forward to working  
13      with and reaching out, again, to a whole  
14      myriad of traditional and atraditional  
15      workforce providers, because the medical  
16      campus -- obviously, in life sciences the  
17      medical campus is one of the strategic  
18      industries that's been identified in Western  
19      New York.  So think about what our strategic  
20      industries are there -- advanced  
21      manufacturing, tourism, health and life  
22      sciences.

23             So it follows, which is what the  
24      beauty of this whole regional strategic

1 approach is, that we will then look for  
2 workforce providers that are looking to fill  
3 the skills gap in order to help those  
4 industries grow. They can't grow if they  
5 don't have the people who have the skills.  
6 It's a bit of a catch-22. But that's a big  
7 issue for us.

8 SENATOR KENNEDY: Thank you. I know  
9 I'm out of time, I just want to leave it with  
10 this.

11 We're talking about childcare. You  
12 know, there are so many issues that we're  
13 dealing with, and childcare came up. I know  
14 it's dealt with through OCFS, but the  
15 Workforce Investment Board does a tremendous  
16 job of helping communities across the  
17 state -- I think there are eight now that get  
18 a particular amount of funding for connecting  
19 folks with that childcare subsidy, enhancing  
20 that childcare subsidy.

21 It's so important if we can work  
22 together on that moving forward, allow some  
23 of these single parents that, you know, want  
24 to advance their own careers that have to



1           take care of their children at home rather  
2           than go out in the workforce, oftentimes  
3           collecting unemployment and public subsidies  
4           to do so.

5                   COMMISSIONER ZEMSKY:  Yup.  It gets to  
6           what Senator Krueger was talking about.  It's  
7           the whole where do you stop and start.  I  
8           mean, it's -- really it's the whole ecosystem  
9           that makes the economy go, and it's hard to  
10          just point to any one thing.

11                   So if it's people, if it's workforce,  
12          what enables workforce?  Is it childcare?  
13          What is it?  But one of the things that it  
14          has to have is proximity.  And one of the  
15          things that we've identified as really  
16          important is that proximity.  It has to be  
17          accessible to people, physically accessible  
18          to people.  And it is.

19                   SENATOR KENNEDY:  Absolutely.  Thank  
20          you again.

21                   CHAIRWOMAN YOUNG:  Thank you.

22                   And I've been waiting till last, and I  
23          know that we're standing in the way between  
24          you and sustenance, so I'll try to be --

1                   COMMISSIONER ZEMSKY: I'm just  
2                   kidding. It's fine.

3                   CHAIRWOMAN YOUNG: I'll try to display  
4                   some brevity. But I did have a couple of  
5                   more follow-up questions, Commissioner.

6                   COMMISSIONER ZEMSKY: Sure.

7                   CHAIRWOMAN YOUNG: You spoke with  
8                   Senator Sanders about the MWBE program, and  
9                   you had a little bit of a back-and-forth in  
10                  the length of time it takes to get certified.  
11                  And that's been our experience out in the  
12                  western part of the state, where a lot of  
13                  companies want to be certified but it seems  
14                  to take a lot of time. I know there's five  
15                  FTEs included in the budget to try to  
16                  expedite that.

17                  But one of the challenges that we face  
18                  has to do with the number of MWBE companies  
19                  that are available in rural areas, and in the  
20                  western part of the state particularly. And  
21                  what we have found -- and I have companies  
22                  that call me quite often, and they say there  
23                  aren't enough people that are MWBE-certified  
24                  to do the work.

1                   And so there are these intermediary  
2                   companies that frankly are making a windfall.  
3                   They get a finder's fee in finding a company  
4                   that can do the work from another region in  
5                   the state. And so that creates two problems.  
6                   One, it adds to the cost of the project, and  
7                   companies are getting a windfall for not  
8                   doing that much. So that's an issue.

9                   And then the second thing is that  
10                  people locally who need jobs aren't getting  
11                  the jobs even though it's a local job. And I  
12                  find that to be quite problematic.

13                 So could you address that for us?

14                 COMMISSIONER ZEMSKY: Well, the MWBE  
15                 is, you know, for -- is intended to provide  
16                 opportunity for people both regionally but  
17                 across the state. And it is -- I certainly  
18                 have heard -- you know, heard this in the  
19                 past, where people -- you know, that there's  
20                 a tension between local employment and MWBE  
21                 goals. And, you know, we always of course  
22                 fall back to the statute and the program and  
23                 the guidelines.

24                 And MWBE contractors or suppliers

1 across New York State are eligible to provide  
2 services in other parts of the state. And,  
3 you know, that's, you know, the fact of the  
4 program, and it has helped increase  
5 employment among MWBE and helped increase  
6 business for MWBEs.

7 And, you know, I don't know that  
8 there's a problem to be solved. I think it's  
9 the reality that that's what the program is.  
10 And it's not trying to make it impossible  
11 for -- we're not trying to set impossible  
12 goals. I think we're trying to -- you know,  
13 we understand that there's, depending on the  
14 contract and depending on the type of skill  
15 and depending on the region, there are  
16 adjustments made all the time and those  
17 things are always taken into consideration.

18 So it depends on what it is, the type  
19 of service that's being provided, how  
20 reasonable and realistic is it that that  
21 could be provided only locally, or is it fair  
22 to include some portion of it out of the  
23 region but inside the state? And that's just  
24 sort of an ongoing, I think, tension, a bit,

1           of the program. I think we should, you know,  
2           call it what it is.

3                     But it has -- you know, it has been to  
4           the great benefit of MWBEs. And in some  
5           cases it's been to the consternation of the  
6           local community. But these projects do get  
7           done and they get funded and they get  
8           provided, and that provides opportunity for  
9           everyone. And I think you've got to look at  
10          the big picture. Kind of, you know, we're  
11          playing long ball with this. And I think  
12          it's, generally speaking, a positive.

13                    CHAIRWOMAN YOUNG: Thank you for that  
14          answer. And certainly nurturing minority-  
15          and women-owned business enterprises is a  
16          very laudable goal. But it's also quite  
17          laudable to want to put people to work in  
18          economically depressed areas of the state,  
19          and oftentimes they're being shut out now.

20                    So I would ask that the agency look at  
21          regional availability when you're considering  
22          these contracts, because we need to make sure  
23          that all parts of the state have equal  
24          opportunity and economic success. So I would

1           just point that out.

2                       And finally, I want to thank you for  
3           your patience today. And you certainly have  
4           answered a lot of questions, and we truly  
5           appreciate that. And I just want to give you  
6           my personal thanks, because whenever I call  
7           you, you do take my call, and I really  
8           appreciate it. And in spite of a lot of the  
9           questions that I think the Legislature has  
10          today, there are some very positive projects  
11          that are going on across the state. You  
12          know, whether it's at Alfred State, Alfred  
13          University, in Dunkirk with Athenex, I think  
14          there are good things happening and I do want  
15          to point that out. Because we don't always  
16          want to focus on the negative, we need to  
17          focus on the positive also.

18                      COMMISSIONER ZEMSKY: No, thanks,  
19          Senator. It's a pleasure working with you  
20          and your staff. And you're deeply involved  
21          with the constituents and the businesses in  
22          your district; we're happy to work with you  
23          and help wherever we can. Economic  
24          development is a team sport. I always say

1           it's a team sport. We all do it together.

2           So it's a pleasure and a privilege.

3                   CHAIRWOMAN YOUNG: Thank you.

4                   Chairwoman?

5                   CHAIRWOMAN WEINSTEIN: Yes, thank you.

6                   As you know, I ended up spending some  
7           time this past fall touring, with the SIAT  
8           Team, some of the REDCs. I have a quick  
9           question, and it was also very fulfilling and  
10          rewarding to see some of the efforts of the  
11          past years of grants.

12                  When an award is announced publicly of  
13          a project through the REDC process, and it  
14          later turns out not to be viable, how does  
15          that get replaced? How do we in the  
16          Legislature and the public get notified?  
17          Does it go back to the REDC, or is there some  
18          internal process?

19                  COMMISSIONER ZEMSKY: It goes back to  
20          the REDC and then it adds to the pool of  
21          funding that's available for projects. Maybe  
22          there was a project that could have got --  
23          you know, that was -- like there was 20  
24          projects and it was No. 21, maybe it moves up

1           and it can get funded, or it carries over to  
2           the next -- depending on what time of year it  
3           is.

4                     But it gets evaluated and invested and  
5           spent in that region.

6                     CHAIRWOMAN WEINSTEIN: Thank you.

7                     And thank you for your patience.

8                     COMMISSIONER ZEMSKY: Yup, no problem.

9                     CHAIRWOMAN YOUNG: Thank you.

10                    COMMISSIONER ZEMSKY: Thank you.

11                    CHAIRWOMAN YOUNG: Our next speaker is  
12           Commissioner RoAnn M. Destito, from the  
13           New York State Office of General Services.

14                    (Discussion off the record.)

15                    CHAIRWOMAN YOUNG: Thank you,  
16           Commissioner, for being here today. It's  
17           great to see you.

18                    COMMISSIONER DESTITO: Oh, it's good  
19           to see you. Thank you. I was here right on  
20           time at 11:00.

21                    (Laughter.)

22                    CHAIRWOMAN YOUNG: Of course. You  
23           have to build a little bit of extra time into  
24           the budget.



1                   But thank you for being here; we look  
2 forward to your testimony.

3                   COMMISSIONER DESTITO: Thank you.

4                   CHAIRWOMAN YOUNG: If you could  
5 summarize it, too, instead of just reading it  
6 word for word.

7                   COMMISSIONER DESTITO: Mine's very  
8 short.

9                   Good afternoon to Senator Young and  
10 Assemblymember Weinstein and members of the  
11 committees. I'm pleased to be here today to  
12 provide testimony on behalf of the Office of  
13 General Services.

14                  OGS provides enterprise-wide  
15 operational services and programs that allow  
16 other agencies to focus on and fulfill their  
17 own diverse missions on behalf of the people  
18 of New York State. We provide a myriad of  
19 services in support of state agencies, local  
20 governments, not-for-profits, businesses, and  
21 citizens.

22                  OGS manages and maintains 20 million  
23 square feet of state-owned space, and leases  
24 11.5 million square feet of office, warehouse

1           and other required space on behalf of our  
2           executive department agencies.

3                 We provide architectural, engineering,  
4           contracting, and construction management and  
5           permitting services to agency clients, with a  
6           current workload of \$700 million in active  
7           construction projects and another \$1 billion  
8           in design development.

9                 Additionally, OGS provides vital  
10          emergency response and recovery support  
11          following floods, fires, weather disasters,  
12          and more. And that is 24/7, 365 days a year.

13                We manage a portfolio of over 1,500  
14          centralized contracts for commodities,  
15          services, and technology, valued at  
16          \$26.6 billion, used by state agencies and  
17          over 7,500 authorized users made up of local  
18          governments and not-for-profits.

19                We also provide transactional  
20          back-office administration services for  
21          finance and human resources for nearly all  
22          executive agencies, through the Business  
23          Services Center, and vendor payments  
24          processed by the BSC are paid on-time

1       95 percent of the time when agencies provide  
2       timely information. And we work with our  
3       small businesses that qualify and opt into  
4       the 15-day program.

5               We all administer the Service Disabled  
6       Veteran-Owned Business program.

7               And that's not all. OGS delivers  
8       support services for agencies including fleet  
9       management, printing and mail services, food  
10      distribution, warehousing, surplus property  
11      disposition, and we aggregate and manage the  
12      purchase of energy resources and insurance.  
13      We manage the visitor experience at the  
14      Capitol and the Empire State Plaza.

15              I would like to talk in more detail  
16      just about a few of the OGS services.

17              We provide design and construction  
18      service to 50 state agencies, including  
19      DOCCS, OMH, State Police, DMNA, and Ag &  
20      Markets. In an effort to expand savings and  
21      efficiencies for New York State taxpayers,  
22      OGS would like the Legislature to consider  
23      granting expansion of its design-build  
24      authority. This project delivery method

1 combines architectural and engineering design  
2 services with construction performance under  
3 one contract, simplifying and speeding up the  
4 project delivery process, allowing the state  
5 really to do more with less.

6 While certainly it's not for every  
7 project, the design-build authority will just  
8 allow us to be more flexible, which will save  
9 both time and money.

10 Following last year's budget, OGS was  
11 given design-build authority on a  
12 project-specific basis, to include Phase II  
13 of the State Fair revitalization projects.  
14 The design and construction of the  
15 133,000 square foot Expo Center for  
16 \$63 million was successfully procured and  
17 awarded in the same year, 2017, with  
18 construction beginning in December 2017. We  
19 are on schedule to complete the project for  
20 the opening of the Great New York State Fair  
21 of 2018. Design-build allowed the state to  
22 implement a full design and construction  
23 schedule in less than a year. Without  
24 design-build, this project would typically

1           have taken several years to design, procure,  
2           and build.

3                       Last year I focused my testimony on  
4           the Service-Disabled Veteran-Owned Business  
5           Act, so I wanted to really bring you up to  
6           date. I'm here to report that our success  
7           continues. Since the program's inception,  
8           over \$67 million in contract awards have been  
9           reported to OGS, and more than \$40 million  
10          has been disbursed to the SDVOBs to date.  
11          For the quarter ending September 30, 2017,  
12          disbursements doubled from the previous  
13          quarter to almost \$10 million, and OGS has  
14          achieved a 6.35 percent SDVOB utilization for  
15          the 12 months ending September 30th.

16                      SDVOB goals are now present on premier  
17          projects, including the Long Island Railroad  
18          Third Track Expansion Project; Jacob K.  
19          Javits Convention Center Expansion; and of  
20          course the New York State Fairgrounds  
21          Projects.

22                      The hardworking and dedicated team at  
23          the Office of General Services is one I'm  
24          honored to represent as commissioner. Their

1 service to the people of New York State never  
2 wavers and can be counted on at all times.  
3 Thank you for listening, and I'll be happy to  
4 take any questions you might have.

5 CHAIRWOMAN YOUNG: Thank you. I have  
6 some questions.

7 COMMISSIONER DESTITO: Sure.

8 CHAIRWOMAN YOUNG: I wanted to talk to  
9 you about procurement revisions regarding  
10 NYSID, New York State Industries for the  
11 Disabled.

12 Actually, there's been a movement --  
13 and we've heard from numerous constituents  
14 and not-for-profit agencies that offer  
15 employment opportunities to individuals with  
16 disabilities that the process has become  
17 protracted and cumbersome. The current  
18 process has put jobs, job opportunities and  
19 the not-for-profits' fiscal well-being at  
20 risk.

21 This program was put into effect over  
22 40 years ago to combat a problem with  
23 employment for a segment of the population  
24 that has the highest unemployment rate among

1           any categorized group, and these changes that  
2           have occurred have caused some confusion and  
3           the potential growth of unemployment for this  
4           population.

5                     Could you address that, please?

6                     COMMISSIONER DESTITO: Sure. First of  
7           all, the Preferred Source Program is a  
8           program that I am very strongly in support  
9           of. I was as a legislator, I continue to be  
10          here at OGS. I have actually dedicated more  
11          staff to the Preferred Source Program and  
12          made it more accountable and transparent than  
13          it has ever been.

14                    All the contracts that we receive are  
15          online. We look for meaningful employment  
16          for the disabled population, for people with  
17          disabilities. And we have issued more than  
18          333 Preferred Source price approvals, with a  
19          total of nearly \$904 million. And this spend  
20          represents the annual employment of more than  
21          6,000 individuals with severe disabilities,  
22          individuals who are blind.

23                    So we have an online Preferred Source  
24          transparent information. The member

1 organizations from NYSID or PSP can look  
2 online to see where their application is,  
3 whether it's been submitted by the umbrella  
4 organization. And we work with the member  
5 organization to get to a yes on the Preferred  
6 Source Program, because, as you and many of  
7 your colleagues want, we want the disabled  
8 community to be employed.

9 CHAIRWOMAN YOUNG: So when you hear  
10 from the community about some potential  
11 issues with how it's been structured now, how  
12 do you deal with that, Commissioner?

13 COMMISSIONER DESTITO: We talk with  
14 them, we explain it.

15 Actually, we have found that in  
16 talking directly now to the membership  
17 organizations, we have found that our  
18 explanation is a bit different than what  
19 they've heard from some of the umbrella  
20 organizations.

21 But we work directly with the member  
22 organizations to get their application to the  
23 point where in fact we are putting people  
24 with disabilities to work in meaningful



1           employment. That's our goal. That's always  
2           been our goal. And we work directly with the  
3           member organizations.

4           CHAIRWOMAN YOUNG: Okay, thank you.

5           COMMISSIONER DESTITO: You're welcome.

6           CHAIRWOMAN YOUNG: Assembly?

7           CHAIRWOMAN WEINSTEIN: Just a quick  
8           question. I couldn't let today go by,  
9           RoAnn --

10          COMMISSIONER DESTITO: Of course.

11          CHAIRWOMAN WEINSTEIN: It's a pleasure  
12          seeing you there.

13          COMMISSIONER DESTITO: Of course.

14          CHAIRWOMAN WEINSTEIN: Can you just  
15          provide us with an update on the cogeneration  
16          plant and the microgrid, what the agency has  
17          been doing to address community concerns?

18          COMMISSIONER DESTITO: The project is  
19          currently moving deliberately. It's a  
20          combined NYPA and OGS project. We continue  
21          to work with the local residents. We  
22          continue to work with the locals. It's  
23          moving forward. NYPA is taking the lead.

24          And it's deliberately -- we're

1 moving -- you know, we're moving that. But  
2 it's still in a planning situation.

3 CHAIRWOMAN WEINSTEIN: Thank you.

4 COMMISSIONER DESTITO: Thank you.

5 CHAIRWOMAN YOUNG: Senator Boyle.

6 SENATOR BOYLE: Welcome, Commissioner.

7 COMMISSIONER DESTITO: Hi, Senator.

8 SENATOR BOYLE: This is a very  
9 specific question. You may not know the  
10 answer, but if you'd just kick it back.

11 OGS has a facility in Central Islip,  
12 New York. It's a huge facility down there.  
13 It was -- for years it stored cheese, I  
14 think. And there's been a lot of development  
15 in the area of Central Islip, but that  
16 building remains there and no one's really  
17 quite -- at least I'm not quite sure what is  
18 occurring there, what's stored there, or what  
19 future plans you may have.

20 Because as I say, the area around this  
21 facility in Central Islip is just growing by  
22 leaps and bounds.

23 COMMISSIONER DESTITO: What's the name  
24 of it?

1                   SENATOR BOYLE: It's in Central Islip.  
2                   I don't know the name of the building, but it  
3                   is one of your facilities down there. I  
4                   think for years they stored surplus cheese,  
5                   was what it was --

6                   COMMISSIONER DESTITO: Well, we have a  
7                   warehouse.

8                   SENATOR BOYLE: A warehouse, yeah.  
9                   Yeah. Is it still in use, or --

10                  COMMISSIONER DESTITO: Yes.

11                  SENATOR BOYLE: Any plans to do  
12                  anything other than use it as a warehouse?  
13                  Because there's a lot of things that are  
14                  going on development-wise around there that  
15                  people would like to have happen with it.  
16                  It's just kind of like sitting there in the  
17                  middle of this --

18                  COMMISSIONER DESTITO: I'm going to --  
19                  I will investigate and get back to you  
20                  directly.

21                  SENATOR BOYLE: Okay, thank you.  
22                  Thank you. My constituents keep asking about  
23                  it, and I didn't know the answer.

24                  COMMISSIONER DESTITO: Okay.

1                   SENATOR BOYLE: Thank you.

2                   COMMISSIONER DESTITO: Thank you.

3                   Good question.

4                   CHAIRWOMAN WEINSTEIN: Assemblyman  
5                   Bronson.

6                   ASSEMBLYMAN BRONSON: Good afternoon,  
7                   Commissioner.

8                   COMMISSIONER DESTITO: How are you?

9                   ASSEMBLYMAN BRONSON: I'm doing well.

10                  COMMISSIONER DESTITO: Good.

11                  ASSEMBLYMAN BRONSON: What is  
12                  precisely your request for the Legislature to  
13                  expand your authority to engage in  
14                  design-build projects?

15                  COMMISSIONER DESTITO: We don't -- as  
16                  I said to you earlier in my testimony, we are  
17                  the agency that does design and construction  
18                  for executive agencies. We are the design  
19                  and construction agency; we do work on behalf  
20                  of other agencies. So we don't initiate the  
21                  projects, the agency initiates them. Then  
22                  they come to us as a centralized process. So  
23                  they come to us -- DOCCS, OMH. We're doing  
24                  some Raise the Age projects with OCFS.

1           So we are looking for design-build  
2           authorization. Actually, we have tried on  
3           several occasions, and we've gotten -- we've  
4           received project-specific design-build, but  
5           we haven't received the authorization as  
6           other agencies have received it. DASNY has  
7           it. OGS is the other construction agency in  
8           the state on behalf of executive agencies.

9           So we're just looking for it as a tool  
10          in our toolbox, because we would like to  
11          evaluate projects and determine whether or  
12          not it is right for the project. Like the  
13          State Fair project, it was absolutely the  
14          right thing to do.

15          ASSEMBLYMAN BRONSON: Okay. And I  
16          know you're aware of this from your days in  
17          the Legislature, but, you know, some of us  
18          are concerned with design-build because it  
19          eliminates, to some degree, competitive  
20          bidding at the various layers of the  
21          construction project. And competitive  
22          bidding has been put in place as a way to  
23          avoid corruption, to allow government  
24          entities to evaluate the project at various

1           stages, whether it's design, the  
2           construction, the operation or maintenance  
3           stage -- and really to require a quality of  
4           work on the project.

5                       So we've been reluctant to expand  
6           design-build through the Legislature. And so  
7           with this request, what steps or checks and  
8           balances would you put in place as an agency  
9           to assure we don't fall into those traps?

10                      COMMISSIONER DESTITO: Thank you.

11           Good question.

12                      We have said that we would continue  
13           with the Wicks compliance. We also have -- I  
14           have reviewed -- since I've been a  
15           commissioner, I have reviewed project labor  
16           agreements, we've studied project labor  
17           agreements quite a bit. And I have actually  
18           authorized, since I have been there, three or  
19           four project labor agreements, especially  
20           when I've seen time savings as well as cost  
21           efficiencies.

22                      So we believe -- I believe very  
23           strongly in competitive bidding and making  
24           sure that we get a good price, but we have

1       seen where, combined with project labor  
2       agreements, design-build has really given us  
3       cost efficiencies as well as time  
4       efficiencies in getting things done. And as  
5       you know, time is money. And there is a  
6       reason to talk about, you know, saving state  
7       taxpayer dollars when we're doing these  
8       projects.

9               ASSEMBLYMAN BRONSON: All right. And  
10       I know when you were in the Assembly, a law  
11       was passed that allowed projects to not  
12       follow the Wicks compliance if there was a  
13       project labor agreement.

14              So under the scenario you've just  
15       outlined, if you entered a project labor  
16       agreement, would you still do the Wicks  
17       compliance? Or would you follow Labor Law  
18       222 and not do that?

19              COMMISSIONER DESTITO: We would  
20       probably follow the labor laws, because we  
21       would negotiate the project labor agreement.  
22       Or the -- actually, the contractor would be  
23       involved, our contract management would be  
24       involved, and they would negotiate the

1 project labor agreement.

2 ASSEMBLYMAN BRONSON: Okay. But as I  
3 think, your testimony -- and I  
4 appreciate it -- is that you're looking for  
5 design-build really not to avoid competitive  
6 bidding --

7 COMMISSIONER DESTITO: No.

8 ASSEMBLYMAN BRONSON: -- and  
9 oversight, it's as a cost-saving measure and  
10 you would use these other tools, if you will,  
11 to make sure that we don't fall into the trap  
12 of the corruption and collusion.

13 COMMISSIONER DESTITO: Yeah,  
14 absolutely. Correct.

15 ASSEMBLYMAN BRONSON: Great. Thank  
16 you.

17 COMMISSIONER DESTITO: Thank you.

18 CHAIRWOMAN YOUNG: Thank you.

19 Senator Savino, any questions?

20 SENATOR SAVINO: (Shaking head.)

21 CHAIRWOMAN YOUNG: That's it.

22 Assembly? Okay, I guess that's it.

23 COMMISSIONER DESTITO: Thank you.

24 CHAIRWOMAN YOUNG: Thank you,



1 Commissioner, for appearing today.

2 COMMISSIONER DESTITO: Thank you very  
3 much.

4 CHAIRWOMAN YOUNG: Our next speaker is  
5 President and CEO Randy Wolken, Manufacturers  
6 Association of Central New York.

7 Welcome. Good to see you again. If  
8 you could just summarize your testimony, it's  
9 quite lengthy, Mr. Wolken, that would be  
10 very, very helpful.

11 MR. WOLKEN: Sure. Sure. Thank you  
12 very much for having us here today.

13 And, you know, we want to raise an  
14 important issue during this conversation  
15 about how to aid small and medium-sized  
16 manufacturers in New York State.

17 As you know, I'm president and CEO of  
18 the Manufacturers Association of Central  
19 New York. We represent over 300 members in  
20 26 counties, about 55,000 employees -- and  
21 also the Manufacturers Alliance, which has  
22 six regional manufacturing groups and about  
23 2,000 companies across the state.

24 You know, and we know that New York

1 State manufacturers are dealing with a series  
2 of increasingly competitive situations and  
3 every day progressively have to have a way to  
4 lower their business costs to be successful.  
5 You know, and we've become, as a sector, more  
6 vulnerable over the years and susceptible to  
7 this international competition.

8 So we're here to talk to you, our  
9 representatives, about ways to make us more  
10 competitive so that we can continue to invest  
11 in the State of New York. And we want to be  
12 able to create that sound business climate in  
13 order to do so.

14 The state really does need to level  
15 its playing field, specifically for small and  
16 medium-sized manufacturers, and it could do  
17 so by taking advantage of eliminating the  
18 corporate franchise tax for all  
19 manufacturers. As you know, the Legislature  
20 and the Governor enacted in 2014 a  
21 zero-percent corporate franchise tax rate for  
22 manufacturers organized as C-corps, and it  
23 did provide significant tax relief for large  
24 manufacturers and actually catapulted

1 New York's national standing to one of the  
2 top 10 pro-manufacturing income tax climates  
3 for manufacturers.

4           However, there's a misconception that  
5 the zero-percent tax rate applied to all  
6 manufacturers. Unfortunately, New York  
7 State's small and medium manufacturers, which  
8 represent about 75 percent of all  
9 manufacturers, did not benefit from the  
10 zero-percent rate. Now, these small and  
11 medium-sized manufacturers operate their  
12 business through S-corps, LLCs, partnerships,  
13 and even through sole proprietorships.  
14 They're commonly referred to as  
15 "pass-through" entities, where the entity  
16 owners are required to pay income tax on  
17 their annual business earnings.

18           What we propose is that you would  
19 expand and continue an effort to lower taxes  
20 for small and medium manufacturers, who must  
21 pay their operating expenses and taxes and  
22 make the following business investments, such  
23 as capital expenditures, known as "capex,"  
24 like machinery, buildings, build-up of

1       inventory, research and development expenses,  
2       and all of the above.

3               New York's C-corp manufacturers don't  
4       have to pay New York income tax on their  
5       earnings before investing in these areas,  
6       unlike small and medium manufacturers do.  
7       And these small and medium manufacturers must  
8       pay their income taxes first -- and right now  
9       they're the second-highest in the state --  
10      before they can make these really necessary  
11      investments like the C-corps are doing.

12             The pass-through manufacturer has to  
13      make distributions to the owners of the  
14      business to pay for the New York State taxes,  
15      because the tax liability of the pass-through  
16      falls to them.  There's sometimes this  
17      misconception that the tax distributions of a  
18      pass-through are a personal benefit to the  
19      owners, in that the mechanics of just paying  
20      the taxes on the business earnings represents  
21      an income benefit to them.

22             MR. HENRY:  As Randy mentioned, you  
23      know, pass-throughs are fundamentally  
24      differently taxed than C-corporations.  And

1 people are nodding, so I assume you've heard  
2 that, especially with federal tax reform.  
3 They took care of corporations, and they also  
4 took care of pass-throughs.

5 And New York's manufacturing tax  
6 regime didn't do that. We exempted  
7 C-corporations from income tax in New York,  
8 which everyone thought was a very good thing  
9 to do, it encourages job creation and  
10 business activity. The problem is, it only  
11 affects a minority of manufacturers in the  
12 state.

13 And, you know, I think we've seen, you  
14 know, various advertising or press releases  
15 that come out and say we have the lowest rate  
16 on manufacturers since 1917. Which really  
17 only refers to C-corporations, 1917, when the  
18 franchise tax was actually created. That's  
19 where that little graph is coming from. So  
20 it's excluding all the other taxpayers.

21 And in your chart there you'll see I  
22 use 7 as -- that's what a pass-through  
23 manufacturer would have to pay before they  
24 could make the same investments as a C-corp.

1           It actually could be as high as 8 or 9 in  
2           this state.

3                     You know, so to be perfectly clear, a  
4           C-corp manufacturer in this state pays zero  
5           New York State income taxes. A pass-through  
6           manufacturer pays 7, 8, or 9 percent. So the  
7           pass-throughs are significantly  
8           disadvantaged to the C-corps.

9                     And the way to think about what do we  
10          mean by C-corps or pass-throughs, C-corps are  
11          traditionally the large manufacturers. When  
12          you think of General Motors, General  
13          Electric, those are C-corp manufacturers.  
14          The pass-through manufacturers, those are the  
15          ones that operate in your district.

16                    MR. WOLKEN: So as a result, by not  
17          passing this relief, there's an inequity  
18          within the state, and of course it makes us  
19          less competitive, at least with the other  
20          states, which we think in today's world we  
21          need to try to rectify.

22                    We've heard from our members over the  
23          past few years asking us to intervene --  
24          they're getting continuous pressure to move

1       their facilities and make investments outside  
2       of New York State in order for them to lower  
3       their taxes. And despite this fact, many  
4       local owners have reinvested and want to  
5       continue to invest. Why? Because they want  
6       to stay in New York.

7               Now, in response to this particular  
8       issue, we commissioned a study through the  
9       Manufacturing Research Institute of New York  
10      State to really look at what would happen if  
11      you actually extended the zero-percent  
12      corporate franchise tax to these small and  
13      medium manufacturers. In fact, as a result,  
14      there is a bill now, Senate Bill 7561,  
15      sponsored by Senator O'Mara, which tries to  
16      address this issue.

17             The study actually concluded -- which  
18      was conducted by the Beacon Hill Institute,  
19      and we can get you copies of it which lays  
20      out its details -- that the elimination of  
21      this corporate franchise tax for pass-through  
22      manufacturers would increase private-sector  
23      jobs by over 3400 in the first full year and  
24      by 2020, 4850 jobs. It would also cause

1       significant investment, to the tune of  
2       \$88 million in 2018 and \$122 million by 2020.  
3       This is primarily in terms of capex.

4               It would also, through its employment  
5       investment, boost disposable real income by  
6       \$244 million in 2018 and over \$400 million in  
7       2022. This increase in economic activity,  
8       which would be sparked by extending this,  
9       would be significant not only for the sector,  
10      but it rolls over to many other parts of the  
11      economy.

12             We think this is a solid investment in  
13      New York State. It allows for added jobs and  
14      growth and really helps for leveraging the  
15      state's manufacturing base. So we would urge  
16      the Legislature to support a zero-percent tax  
17      for small and medium manufacturers.

18             And I'd like to close by thanking you  
19      for the continued support of the  
20      manufacturing sector, which is so critical to  
21      all of New York State. In fact, this  
22      particular benefit would impact and would be  
23      of significance to all New York State  
24      manufacturers.



1                   With that, we'll stop and take  
2                   questions.

3                   CHAIRWOMAN YOUNG: Thank you very  
4                   much. And we appreciate you being here  
5                   today.

6                   And especially I think the information  
7                   is helpful regarding the zero-percent  
8                   corporate franchise tax and the C-corps. So  
9                   we want to grow our medium and small  
10                  businesses, and those sound like great ideas.

11                  But I did have a question. So there's  
12                  been a lot of media, obviously, on the  
13                  federal tax cuts. And there's been a lot of  
14                  back-and-forth about whether they're good for  
15                  New York businesses or not. Could you please  
16                  share your perspective on the federal tax  
17                  cuts?

18                  MR. WOLKEN: Well, I think we'll have  
19                  to -- what we will see, the full impact of  
20                  tax cuts across our members' base at the  
21                  federal level, we would suspect that most  
22                  manufacturers would see, you know, an income  
23                  tax cut or a tax cut. Of course we'll have  
24                  to see specifically how that does.

1           But it does, of course, also speak to  
2           the need to be more competitive in the State  
3           of New York for our own tax base. And I  
4           think one of the things that we're concerned  
5           about is going to be a shift in some of our  
6           manufacturing jobs to other states as, you  
7           know, you look at those states that have more  
8           competitive, you know, business taxes  
9           specifically to small and medium  
10          manufacturers. That's why our current  
11          proposal.

12                 MR. HENRY: Yeah, I think, you know,  
13          all the -- what's being considered in Albany  
14          now to mitigate the federal changes, whether  
15          it's a charitable contribution or whether  
16          it's payroll tax, whether it's an  
17          unincorporated business tax or some other  
18          arrangement -- even if any or all those are  
19          successful, what it will result in is  
20          New York State pass-through businesses will  
21          still be subject to the second-highest  
22          individual income tax rates in the country.

23                 They'll be able to deduct them,  
24          hopefully -- if they're successful, we'll get

1 back to where we were in 2017 -- but they'll  
2 still be subject to the highest taxes in the  
3 country, almost.

4 And whereas C-corps, they won't have  
5 that; they're still going to be zero-rated  
6 for New York State.

7 CHAIRWOMAN YOUNG: So thank you for  
8 that.

9 Last week the Senate took action and  
10 we actually decoupled the deductions. As you  
11 know, in the past, before the tax changes in  
12 Washington, the state deductions followed the  
13 federal deductions. And now since the  
14 federal deductions have changed so  
15 dramatically, it would preclude many people  
16 and businesses to be able to claim deductions  
17 on the state level. So we decoupled that so  
18 that would be able to help, I believe, a lot  
19 of different entities across the state.

20 But the question is, what are your  
21 thoughts on the decoupling? Will that help?  
22 Because there's a hidden tax right now of  
23 about \$1.5 billion if we don't take action.  
24 So could you give your thoughts on that?

1           MR. HENRY: Are you talking about  
2           decoupling the 20 percent deductions in --

3           CHAIRWOMAN YOUNG: Right. So the way  
4           that we've done it in the past is that the  
5           state deductions followed the federal. So  
6           now if it's better for you to take a standard  
7           deduction --

8           MR. HENRY: I see.

9           CHAIRWOMAN YOUNG: -- on the federal  
10          level, you wouldn't be able to take those  
11          deductions on the state level.

12          MR. HENRY: Right.

13          CHAIRWOMAN YOUNG: So could you give  
14          your thoughts on that?

15          MR. HENRY: I mean, clearly that would  
16          help individual taxpayers.

17          But because pass-through entities and  
18          their owners can't deduct state income taxes  
19          as an itemized deduction, it really doesn't  
20          matter if it's decoupled or not, no.

21          CHAIRWOMAN YOUNG: It doesn't make a  
22          difference for businesses, it's just  
23          individuals.

24          But here's a question. You reference

1       several of the proposals out there by the  
2       Governor, including, you know, charitable  
3       organizations and making those kinds of  
4       contributions to skirt around the new federal  
5       tax changes, or doing a payroll tax.

6                Could you give me your perspective on  
7       a payroll tax?

8                MR. HENRY: I've not heard a lot of  
9       positive things about it. It makes -- I  
10      believe it would make the employer shoulder a  
11      lot of the responsibility for, you know,  
12      collecting the tax and then convincing their  
13      employees that, well, I'm reducing your pay  
14      because of the New York State income tax.

15               And the other thing is it really  
16      couldn't stand by itself. Because if an  
17      owner of a pass-through business -- let's say  
18      they got wages of 100 but they also had net  
19      earnings from the business of 100. The  
20      payroll tax is only going to cover the 100 of  
21      wages. They're still going to have to pay  
22      and figure out how to deduct, if they can,  
23      the 100 of net earnings of the business. So  
24      the payroll tax by itself I don't think is

1           going to do it.

2           CHAIRWOMAN YOUNG: Right.

3           Randy, do a lot of your members have  
4           negotiated contracts? I know that the public  
5           unions are very concerned about this proposal  
6           on the payroll tax. But also I think a lot  
7           of the private unions would be, because they  
8           have negotiated contracts with their  
9           companies. And I think that could have a  
10          major impact.

11          MR. WOLKEN: There are a significant  
12          number of our members that have negotiated  
13          contracts. I can't really speak to the  
14          specifics, but yes, it's still a very  
15          important part of the workforce in New York  
16          State.

17          CHAIRWOMAN YOUNG: And just in  
18          general, and you just referenced that, it  
19          would be quite an education process to go to  
20          employees and say: We're cutting your wages,  
21          but don't worry about it, because you're  
22          going to net out okay down the road.

23          I mean, would that be difficult, for  
24          companies to educate employees about the

1 system?

2 MR. HENRY: I think it would be  
3 difficult, yeah.

4 CHAIRWOMAN YOUNG: Okay. Anybody  
5 else?

6 CHAIRWOMAN WEINSTEIN: Assemblyman  
7 Oaks.

8 ASSEMBLYMAN OAKS: Yes. I was going  
9 to ask, actually, some about the federal tax  
10 changes and the impact or the importance of  
11 your proposal in the light of that. But  
12 Senator Young did, you know, address that  
13 some.

14 And your responses of our concern  
15 about competitiveness with other states -- if  
16 we don't do this, we're going to be worse off  
17 than before the tax? Or -- or the same, just  
18 our not being as competitive? Do we have a  
19 sense of that?

20 MR. WOLKEN: I guess my main concern  
21 about the impact of not now moving to provide  
22 the same benefit to small manufacturers that  
23 we have for C-corps is when companies make  
24 long-term decisions, sometimes decades in the

1 making, now with the changes at the federal  
2 level they'll relook at their taxes and look  
3 at the -- we do have still, by at least one  
4 measure, the second-highest taxes when it  
5 comes to small pass-through businesses,  
6 specifically manufacturers -- and they'll  
7 look and see other states that have a  
8 significantly less tax burden at the  
9 pass-through corporations level.

10 So I think now is a good time to  
11 extend this benefit. I think it does  
12 something very specific, it keeps existing  
13 companies here, it gives them an opportunity  
14 to grow here, encourages them to do that.  
15 And that's a specific concern I think for  
16 upstate -- which many of our members,  
17 specifically of MACNY, obviously, are  
18 upstate.

19 But I think it's an important time to  
20 do it because of the look at taxes and now  
21 you'll get the federal taxes, but there  
22 wouldn't be any changes in your state taxes  
23 if we don't move forward on this.

24 MR. HENRY: The timing is actually



1 perfect, because with the question about the  
2 deductibility of state taxes, if the  
3 pass-throughs didn't have any New York State  
4 income tax on their manufacturing income like  
5 the C-corps, it would be off the table. So  
6 there wouldn't be an adverse effect to not  
7 being able to deduct their state income  
8 taxes; they would have no state income taxes.

9 ASSEMBLYMAN OAKS: Do we have any idea  
10 what the amount would be that the state would  
11 in essence lose in revenue if we did that?  
12 Do we have any sense?

13 MR. WOLKEN: Our estimate is about  
14 \$140 million. So we think it's a very good  
15 investment in maintaining existing  
16 manufacturing, growing existing  
17 manufacturers. It also would be attractors,  
18 what you would see in the job-growth numbers.

19 So it's one of those things where  
20 everyone who is a manufacturer, is classified  
21 as a manufacturer, could take advantage. It  
22 wouldn't be picking winners and losers  
23 between companies. Everyone who is a  
24 manufacturer would qualify. So these are all

1           significant benefits.

2                   ASSEMBLYMAN OAKS: I know we just went  
3           through talking economic development programs  
4           for the state and whatever. This could be a  
5           very good investment, in essence, by the  
6           state to hopefully give a better possibility  
7           for the future on manufacturing in New York  
8           State.

9                   I know one of the things -- you held  
10          up one of the research reports that you did.  
11          That's one of probably the most important  
12          things I think your organization has done  
13          over the years. And please, you know,  
14          forward those.

15                  MR. WOLKEN: We will.

16                  ASSEMBLYMAN OAKS: Because I think,  
17          you know, as I've seen manufacturing during  
18          the time I've been in the Legislature,  
19          certainly the number of jobs in manufacturing  
20          is -- are fewer than what they were, you  
21          know, a number of years ago. But also you  
22          often present things of giving, you know,  
23          places where we are vibrant, where we are  
24          hopeful that we can have a positive future in

1 manufacturing and that our whole economy  
2 doesn't have to, you know, shift.

3 But giving us direction and helpful  
4 suggestions of what we might do to actually  
5 make that happen is appreciated.

6 MR. WOLKEN: And I appreciate that  
7 comment, because New York State is still one  
8 of the top 10 manufacturing states in the  
9 country. We've actually stabilized  
10 manufacturing. We saw, in fact, a growth in  
11 our region this year in manufacturing jobs.

12 I think we can be competitive. That's  
13 why we would offer this piece of productive  
14 change, because I think we can be  
15 competitive. We don't need to throw in the  
16 towel. And I think that's something we  
17 should be doing; manufacturing can -- should  
18 be vibrant.

19 And I think what you're seeing,  
20 actually, the U.S. is becoming a better place  
21 to manufacture than ever, you know, given  
22 what's going on nationally, both in -- both  
23 tax reform, at least at the corporate level,  
24 and specifically on the lower cost of energy

1 over the last five to 10 years has really  
2 changed the dynamic. By 2020, the U.S. is  
3 projected to be the low developed country --  
4 manufacturer country in the world.

5 So the reality is we can be  
6 competitive as U.S. manufacturers. And if we  
7 continue to make progress, I think we can be  
8 competitive in New York for the long term.

9 ASSEMBLYMAN OAKS: Thank you.

10 CHAIRWOMAN YOUNG: Senator Savino.

11 SENATOR SAVINO: Thank you, Senator  
12 Young. Thank you, gentlemen.

13 I just have a question, and I guess  
14 it's because I don't know enough about  
15 setting up a corporation. But as you pointed  
16 out in your testimony, in 2014 when we  
17 enacted the zero-percent tax rate on  
18 manufacturers, we assumed we were capturing  
19 the vast majority of them. But now, based on  
20 the information you're providing, it's only  
21 about 25 percent of manufacturers in the  
22 state, because they're C-corporations and it  
23 doesn't apply to pass-throughs and  
24 S-corporations.

1                   But is there a reason why some  
2                   manufacturers would incorporate themselves as  
3                   C-corporations or LLCs? Is there a benefit  
4                   in that practice?

5                   MR. HENRY: There is.

6                   Congress allowed S-corporations, back  
7                   in I think the late '70s, for smaller  
8                   businesses to simplify their tax  
9                   administration and their tax filing so they  
10                  could put everything together on their  
11                  individual return and not have to have two  
12                  separate sets of tax payments and  
13                  calculations going.

14                 And LLC partnerships grew out of, you  
15                 know, the LLC laws. And they will be taxed  
16                 as partnerships, so they can allocate  
17                 earnings in a different way than just  
18                 straight, you know, how many shares do you  
19                 own pro-rata arrangement.

20                 So over time, S-corporations are  
21                 actually the most popular business entity  
22                 vehicle in the country, followed by LLCs,  
23                 partnerships, and then C-corps.

24                 C-corps can be -- the reason why

1       someone would use a C-corp for manufacturing  
2       in this state is because they will get a  
3       zero-percent tax rate. And they are probably  
4       owned by a foreign corporation, so -- by  
5       "foreign" I mean non-New York or non-U.S.,  
6       even -- and the dividends that go up to the  
7       parent company are not taxed. So no tax in  
8       New York on the earnings, no tax when the  
9       earnings are distributed.

10               SENATOR SAVINO: So is there any  
11       impediment to the majority of our  
12       manufacturers in New York State reorganizing  
13       themselves as C-corporations? Or is it  
14       just -- or would they lose a benefit  
15       that we're --

16               MR. HENRY: They would lose a benefit.

17               Some of them actually can't. I mean,  
18       if you're an LLC partnership, to organize  
19       yourself as a corporation -- you know, you've  
20       maybe taken in financing via the LLC  
21       arrangement where a portion of your earnings  
22       are getting allocated to the lender or some  
23       other arrangement -- it would be almost --  
24       you'd almost have to start your business

1 over, you know, to change to a C-corporation.

2 And I -- well, I have had someone from  
3 staff -- I don't remember who it was -- just  
4 say, "Well, why don't all New York  
5 manufacturers just become C-corps?" To which  
6 I guess you could say, Well, I don't know,  
7 why don't they just move to Florida or  
8 North Carolina or Tennessee where the tax  
9 isn't as onerous.

10 You know, you're asking people to,  
11 say, change your method of doing business in  
12 order to get this tax incentive, when it's  
13 within the Legislature's power to just make  
14 it happen.

15 SENATOR SAVINO: And so you're simply  
16 just adding them --

17 MR. HENRY: Yeah.

18 MR. WOLKEN: Now, in fact it's very  
19 unlikely we would see -- and haven't seen --  
20 a significant movement to C-corporations.  
21 You know, the reality is the base -- the  
22 basic manufacturing entity, typically  
23 family-owned small businesses. So I think we  
24 see that even over the last few years there's

1 not been a movement to take advantage of that  
2 particular tax break.

3 At the federal level they recognized  
4 it when they were doing the corporate tax  
5 reform, and they provided a pass-through tax  
6 cut for this -- these types of entities for  
7 that very reason. They even realized that  
8 just by reforming the tax code for C-corps it  
9 would not be able to affect a huge job  
10 creator in our communities.

11 So we haven't seen that impact. We  
12 advocated for and were strong supporters --  
13 actually did a study on the C-corps to show  
14 just what a big economic benefit it has been,  
15 and it really has been productive. And  
16 that's why we're convinced we'll see the same  
17 economic value -- even more so -- for the  
18 pass-through entities.

19 And one of the things that we saw was  
20 what a big economic impact it has versus, you  
21 know, the actual loss in revenues. We can  
22 fully make up that and quite a bit more. So  
23 there is a significant difference. We don't  
24 see a transition happening to C-corps. And



1           in many ways, you know, S-corps just act --  
2           in other capacities, just act differently to  
3           the benefit of our communities.

4                     SENATOR SAVINO: And finally, I  
5           remember the debate over the manufacturer's  
6           tax credit, and I think I probably went to  
7           one or two press conferences about it. But I  
8           don't remember this being an issue. Was it  
9           not -- were we not made aware of this  
10          problem, that we wouldn't really be capturing  
11          the vast majority of manufacturers in  
12          New York, that we would be leaving almost  
13          75 percent of them behind? Was that brought  
14          up at all? I just -- I have no recollection  
15          of that being part of the conversation. And  
16          if it wasn't, it certainly should have been.

17                    MR. WOLKEN: We were aware of it,  
18          obviously, members of ours who aren't --  
19          which are pass-through entities. It was our  
20          hope that in subsequent budgets there would  
21          be an addressing of this issue.

22                    So the reality was it hasn't yet been  
23          addressed, and we feel it needs to be. And  
24          that in order for us to be competitive in the

1 long term -- and specifically with the  
2 federal reforms going on -- we think now is  
3 the time.

4 SENATOR SAVINO: Fair enough. Thank  
5 you.

6 SENATOR KRUEGER: I just have one  
7 additional question for you. Thank you.

8 So it is true that the new federal tax  
9 plan will have dramatic decreases in taxes  
10 for businesses, appreciating the differences  
11 between S and C. Am I correct or not correct  
12 that the dollar amount of state tax is  
13 relatively marginally small compared to the  
14 reduction in the federal tax you're  
15 expecting?

16 MR. HENRY: I'm sorry, what's the  
17 question again?

18 SENATOR KRUEGER: So you're making an  
19 argument for us to zero out the state tax for  
20 some number of corporations -- I don't know  
21 if someone asked you how many it was. I  
22 heard \$140 million in total.

23 MR. HENRY: Right.

24 SENATOR KRUEGER: How does that

1           translate compared to the expected reduction  
2           in federal taxes these businesses are  
3           anticipating because of the federal change?

4                   MR. HENRY:  It's actually hard to say,  
5           because in one -- in some way, if they  
6           weren't able to deduct their state taxes,  
7           they might not have a federal benefit at all.  
8           You know what I mean?  If all of a sudden  
9           these pass-through owners can't deduct their  
10          state income taxes, then, you know, their tax  
11          might be higher -- could conceivably be  
12          higher at the federal level even with the  
13          20 percent deduction.

14                   SENATOR KRUEGER:  So the same issue  
15          for the personal --

16                   MR. HENRY:  Right.

17                   SENATOR KRUEGER:  -- when they can't  
18          take a deduction beyond \$10,000 on their  
19          state, local and property.

20                   MR. HENRY:  Right.  Right.  I mean,  
21          it's conceivable --

22                   SENATOR KRUEGER:  So you're saying it  
23          could be the same.

24                   MR. HENRY:  It's really hard to tell.

1           You know, that the calculations are pretty --  
2           I can't remember, somebody from one of the  
3           major law firms said, "You know, we've gone  
4           away from being able to do tax calculations  
5           on the back of a napkin." So ...

6           SENATOR KRUEGER: It will be a good  
7           question for the revenue hearing next week.

8           (Laughter.)

9           SENATOR KRUEGER: Thank you very much.  
10          I don't believe we have any other  
11          questioners, so appreciate your testimony.

12          And the next testifiers are the  
13          New York Association of Training and  
14          Employment Professionals.

15          Thank you, gentlemen.

16          MR. WOLKEN: Thank you.

17          MR. HENRY: Thank you.

18          SENATOR KRUEGER: And you are Melinda  
19          Mack?

20          MS. MACK: That is me.

21          SENATOR KRUEGER: Excellent. Welcome.

22          MS. MACK: Good afternoon, everyone,  
23          and thank you for having me here today. My  
24          name is Melinda Mack. I'm the executive

1 director of the New York Association of  
2 Training and Employment Professionals,  
3 New York State's workforce development  
4 association. We have 150 members who are  
5 deeply committed to workforce development as  
6 economic development, and in total they serve  
7 just over a million New Yorkers each year.

8 I think, again, many of you saw me  
9 testify at the Workforce hearing, so I will  
10 keep my comments short, but I do want to  
11 spend some time highlighting a few of the  
12 elements that Commissioner Zemsky did raise  
13 in his testimony.

14 I think the first is around this  
15 critical need of the shortage of skilled  
16 workers that we have across the state. As  
17 you're probably hearing within your  
18 districts, and we hear from our members  
19 pretty regularly, employers are desperate for  
20 skilled workers.

21 We also recognize that many folks  
22 across the state are having challenges  
23 accessing the labor market, meaning those who  
24 are unemployed or underemployed do have many

1 barriers to the workforce, whether it be  
2 childcare, a former conviction, housing  
3 issues, debt issues that they need to have  
4 addressed -- and, more importantly, issues  
5 around their readiness for work, whether it  
6 be education and training or skill level or  
7 skill attainment that's necessary for the  
8 job.

9 My members are the folks who provide  
10 that skills development and job training.  
11 And so as the commissioner shared, one of the  
12 proposals the Governor has put forward is  
13 this idea of a CFA process through the REDCs  
14 to support workforce development. And I  
15 thought the Assemblymember did a great job of  
16 asking a question around what exactly makes  
17 up that \$175 million. We're hopeful through  
18 these hearings and through some of your  
19 action you can get a more detailed accounting  
20 of those resources.

21 Ultimately I think we see the need for  
22 an ongoing pot of resources to make sure this  
23 doesn't continue to be an issue.

24 One of our concerns with the dollars

1 as they've been proposed is that there are  
2 likely going to be sort of dollars shifted  
3 over from other workforce or job training  
4 programs. I think we recognize the  
5 importance of having a more streamlined  
6 effort, but also think it's important that  
7 these are resources that are really, truly  
8 going out and meeting the demand and meeting  
9 the need.

10 A couple of quick things I wanted to  
11 also mention. As we shared, we're in support  
12 of this idea of having a pot of funds through  
13 the CFA process. We also think the devil is  
14 in the details in terms of how that will  
15 actually work out. I think one of our big  
16 concerns, and was raised earlier, is this  
17 idea of flexibility. If you talk to  
18 businesses in your communities, I'm sure they  
19 tell you that they don't plan two and a half  
20 years out about hiring, or have a sense of  
21 what their skills gap will be.

22 We have some major needs right now,  
23 and those can't be addressed through a  
24 year-long or two-year process to release

1 funds. And so we do ask that this is a  
2 flexible, rolling basis to allow for those  
3 resources to get out into communities  
4 relatively quickly.

5 We also believe that the resources  
6 need to be flexible enough to actually meet  
7 the need at hand. As was described,  
8 childcare can be a huge issue that's forcing  
9 folks who are unemployed or folks who are  
10 underemployed to leave employment or leave  
11 work. It also comes in the form of  
12 transportation, English language learning, a  
13 whole range or whole host of options.

14 And so we want to make sure that the  
15 resources are flexible enough to meet the job  
16 seeker and career seeker's demands but also,  
17 more importantly, the businesses as well.

18 I also wanted to mention that one of  
19 the things that we're continuing to be  
20 noticing and sort of watching very carefully  
21 is this idea of automation and its changing  
22 nature of the work that folks are doing  
23 across businesses industries. Randy and  
24 folks who are part of the manufacturing



1 community will sort of tell you sort of the  
2 timeline and shift in changes just within  
3 manufacturing over the last 20 years.

4 We need to have resources available to  
5 train the workers who are already working for  
6 what's next. If we want to retain families  
7 in our state and in our communities, we need  
8 to have resources at bear to support  
9 businesses who are transitioning to new  
10 equipment.

11 That also needs, in our opinion, more  
12 flexibility for economic developers. The  
13 best partnerships we have on the ground are  
14 when workforce, economic development, and  
15 post-secondary education work together  
16 collaboratively. And so we'd really hope  
17 that the Legislature would support proposals  
18 to increase the flexibility of economic  
19 development to utilize their resources to  
20 support some of that relationship on the  
21 ground.

22 And then lastly, there was a lot of  
23 talk this morning -- or was it this  
24 afternoon? It all kinds of blends together,

1 right? -- around the use of data. I'm a  
2 former Bloomberg employee, so I very much  
3 care about data. But I will tell you, I have  
4 a lot of concerns if we're only focusing on  
5 what the labor market data tells us.

6 We think it's really important that on  
7 the ground the community-based organizations  
8 and folks who are actually engaging with  
9 businesses are using what we call workforce  
10 intelligence, actually talking to employers,  
11 to understand what those needs are. If we're  
12 only focusing on the in-demand sectors,  
13 things like food processing wouldn't be  
14 caught by the labor market data. That sort  
15 of shows big gaps and, more importantly,  
16 decline in demand.

17 So again, I think it's really  
18 important that we're utilizing labor market  
19 and workforce intelligence to be able to  
20 support investments that local communities  
21 are indicating that they need to support,  
22 workforce and job training.

23 So with that, within your testimony it  
24 sort of shares some more statistics and data

1           from our "State of the Workforce" report. It  
2           also underscores the importance of the  
3           connection between economic and workforce  
4           development. And of course I can be  
5           available for additional questions following  
6           today.

7           SENATOR KRUEGER: I have one question.

8           MS. MACK: Sure.

9           SENATOR KRUEGER: Appreciate your  
10          testifying.

11          So we all sit up here and we listen to  
12          so many people and there's so much testimony.  
13          But I also came across a recent article from  
14          I guess the MIT Technology-something-  
15          something newsletter projecting how many jobs  
16          in total we're going to be losing versus  
17          gaining because of the changes in technology.  
18          And you said everything's technology somehow,  
19          or somebody earlier today --

20          MS. MACK: It's shifting, yeah.

21          SENATOR KRUEGER: Yup. So when we're  
22          trying to think through workforce development  
23          and we're trying to again use data, as you  
24          just said, how do you plan for an economy

1           that may be reducing the number of jobs  
2           needed versus the number of people you have  
3           in search of jobs? Even though at this  
4           moment in history our unemployment is much  
5           lower than it's been over the last multiple  
6           years.

7                     And yet if you read the projections --  
8           and not, you know, into Futureland, but 2025,  
9           for example -- it appears that this country  
10          is expected to lose far more jobs than are  
11          being created with technology.

12                    Given your expertise, how do we deal  
13          with this?

14                   MS. MACK: So I think there's a few  
15          things. So we've also been watching that.  
16          There's also a great report that McKinsey  
17          recently put out that shows the automation of  
18          jobs and those that you can track based on  
19          the skills that they have and how quickly  
20          those skill sets are being automated.

21                    I will say I'm less concerned because  
22          the skills gap is so great at this moment. I  
23          think my bigger concern is that the jobs that  
24          are being automated most rapidly tend to be

1           the jobs that low-income New Yorkers are  
2           filling -- jobs like truck drivers, home  
3           health aides, folks who are working at call  
4           centers. Right?

5                     So how are we able to support workers  
6           who are in high-demand, low-paying jobs --  
7           which, by the way, are the most jobs in our  
8           state -- and helping those workers transition  
9           to what comes next?

10                    So for example, if you're a truck  
11           driver, which is one of the highest-demand  
12           occupations in our state, and technology and  
13           automated driving may be taking over truck  
14           driving in the next 10 or 15 years, how are  
15           you ensuring that the folks who are truck  
16           driving are able to transition to the  
17           next-generation careers? That's not a  
18           six-month training program.

19                    I think, again, the commissioner  
20           talked a lot about right-skilling folks for  
21           jobs quickly. If someone has a fourth-grade  
22           reading level, you cannot do that quickly.  
23           That is something that needs a significant  
24           amount of support over a long period of time.

1                   And so I share with you I think it's a  
2                   bit of building the bike while we're driving  
3                   it. The area where we're hearing the most  
4                   demand right now are for data scientists. I  
5                   think we're hearing from huge companies that  
6                   they're in desperate need of folks who can  
7                   analyze the big data sets that are being  
8                   created by computers. Those aren't  
9                   traditionally the types of jobs that my folks  
10                  train folks for. Those tend to be Clarkson  
11                  or RPI or the big universities.

12                  But again, the issue of this  
13                  connection between low-wage work and  
14                  automation is something we all need to pay  
15                  attention to. So I don't have a good answer  
16                  for you, but I do know we need to do  
17                  something now, because folks who have  
18                  low-paying jobs are most likely going to lose  
19                  those jobs.

20                  SENATOR KRUEGER: Thank you.

21                  MS. MACK: You're welcome.

22                  CHAIRWOMAN YOUNG: Thank you.

23                  CHAIRWOMAN WEINSTEIN: Assemblyman  
24                  Bronson for a question.

1 ASSEMBLYMAN BRONSON: Hi, Melinda.

2 Thanks for being here.

3 MS. MACK: Hi, how are you?

4 ASSEMBLYMAN BRONSON: I'm doing well.

5 A couple of follow-up questions.

6 So you talked about the

7 right-skilling, you know, filling jobs

8 quickly. We have to attack this problem on a

9 number of levels, right?

10 MS. MACK: Correct.

11 ASSEMBLYMAN BRONSON: I mean, we're

12 looking at a skills gap, but we're also

13 looking at expanding and emerging workforces,

14 right? Or we're looking at workforces where

15 the workforce is aging out and we don't have

16 people in the pipeline. And you identified

17 the importance of not just looking at data

18 but also, you know, getting workforce

19 intelligence, as you put it.

20 So what's the strategy you think the

21 state could use to meet all of those goals

22 plus identify and analyze, you know, what are

23 workforce demands going to be, you know,

24 within the next year, three years, seven

1       years, that kind of thing? How do we  
2       strategize this so that we can invest  
3       appropriately?

4               MS. MACK: Well, first, you need to  
5       have a goal. Right? I think that's one of  
6       our big criticisms of the state over the last  
7       couple of years, is the state truly does not  
8       have a coordinated workforce strategy.

9               I think we're hopeful that this idea  
10      of the Office of Workforce Development will  
11      allow for the creation of some meaningful  
12      plan to better coordinate SUNY, CUNY, the  
13      BOCES programs, K-12, the P-TECH schools,  
14      really truly thinking of that full pipeline  
15      of workers. And then, more importantly,  
16      talking to the business community about what  
17      they actually need in a talented workforce.  
18      Right?

19              Right now we have segments of the  
20      communities speaking to business. We're not  
21      talking together in a collective voice to be  
22      able to understand how we'll be addressing  
23      some of the changing nature of the workforce.

24              In terms of what I think the right



1 strategy is, I think it needs to be  
2 something, again, that's flexible and  
3 addresses the current need while planning for  
4 the future. Because again, some of the jobs  
5 can be trained relatively quickly -- six, 12,  
6 18 months. Others will take many years to  
7 train. And so we need to be able to have the  
8 strategies that are meeting the needs of the  
9 job seekers or those who are underemployed on  
10 the ground, as well as that business  
11 community.

12 And I share that because I'm thinking  
13 about the Northland project, as we heard a  
14 bit about -- and Stephen Tucker is amazing.  
15 I think we're all very lucky in the field to  
16 have him. What the residents of the  
17 East Side of Buffalo are facing are a  
18 different set of challenges than perhaps  
19 folks out in Long Island or folks in Staten  
20 Island or folks who are working in the North  
21 Country need. Right? And so we need to have  
22 the ability to respond directly to those  
23 needs but then also to change strategy if a  
24 new need arises or pops up.

1           I will also mention that I think one  
2           of the things that we've been thinking about  
3           is the scale. Right? I think one thing that  
4           I recognize from working in New York City for  
5           almost a decade, small programs work really  
6           well, as do big programs, and not every  
7           program needs to serve 5,000 participants to  
8           be effective. So how are we actually  
9           addressing the right scale based on the need  
10          for, again, the individual who is in the  
11          program as well as the employer. You might  
12          be able to do some really amazing things with  
13          a program that can only serve 50 people a  
14          year.

15                 And so, again, I want to make sure  
16          that we're not only serving this high --  
17          high-end, 4,000-or-more-people type of  
18          programs across the state.

19                 ASSEMBLYMAN BRONSON: And thank you.

20                 In the last part of your answer you I  
21          think really emphasized something that's  
22          important in this area. And although we want  
23          it to be needs-driven or demand-driven, that  
24          demand comes both from the job seeker as well

1 as the employers.

2 MS. MACK: Absolutely.

3 ASSEMBLYMAN BRONSON: And creating  
4 that match is what's key.

5 One last question. I know you've been  
6 following what's happening at the federal  
7 level. Do you have a sense of what we should  
8 be looking for at the federal -- because a  
9 lot of our workforce development funding is  
10 federal pass-through dollars, right? So what  
11 are your concerns as a person in the field  
12 with what's happening at the federal level,  
13 and what should we be looking at as we're  
14 considering this year's state budget?

15 MS. MACK: Sure. In New York State  
16 nearly all of the resources for workforce  
17 development are federal resources. And those  
18 have been cut by about 60 percent in the last  
19 10 years. So earlier when I was hearing  
20 20 percent numbers, I thought, oh, lucky for  
21 you, right?

22 So it's a huge issue for us, in that  
23 the dollars that typically go to educate and  
24 train New Yorkers have more or less dried up,

1           and the state and in many instances the City  
2           of New York have not backfilled those  
3           dollars, private philanthropy has.

4                       So I think, again, we have an  
5           opportunity during a time where the economy  
6           is doing well to really think through what is  
7           our strategy and our plan for if and when the  
8           economy goes south, but also, more  
9           importantly, how are we currently working  
10          with those who are left on the sidelines  
11          right now when the economy is strong?

12                     In terms of what we're hearing, we  
13          expect hopefully to be flat-funded. But  
14          again, flat funding with a sequester is still  
15          a 2 percent cut. And so I think our  
16          expectation is probably a 2 percent cut.

17                     In New York State, because we've done  
18          well economically, and based on the federal  
19          formulas, some areas -- again, like New York  
20          City -- are seeing upwards of between a  
21          \$7 million and \$8 million cut because they've  
22          done so well in the economy.

23                     So again, the need isn't based on sort  
24          of the overarching need, it's based on your

1           unemployment rate, and that's how the federal  
2           dollars go out.

3           ASSEMBLYMAN BRONSON: Thank you.

4           MS. MACK: You're welcome.

5           CHAIRWOMAN YOUNG: Okay, thank you so  
6           much.

7           MS. MACK: Thank you so much. Take  
8           care.

9           CHAIRWOMAN YOUNG: Really appreciate  
10          it.

11          Our next speaker is Tom Furlani,  
12          director of the Center for Computational  
13          Research at the University of Buffalo, and  
14          he's speaking about high-power computing in  
15          New York.

16          Welcome.

17          DR. FURLANI: Thank you.

18          CHAIRWOMAN YOUNG: Look forward to  
19          your testimony. If you could summarize, that  
20          would be most helpful.

21          DR. FURLANI: Yes, I was just going to  
22          say I'll be respectful of your time. It's  
23          been a long day, and I'll summarize some of  
24          the testimony.

1           Actually, this is a nice segue from  
2           the person in front of me, because there is a  
3           shortage of data scientists in the country,  
4           and certainly within New York State. And  
5           some of the programs that I'm talking about,  
6           the High Performance Computing Consortium --  
7           companies have difficulty hiring these  
8           people; we're in the process of training  
9           these people that will hopefully go out and  
10          get jobs. And so I'd like to talk to you a  
11          little bit about the High Performance  
12          Computing Consortium.

13                 And thank you for the opportunity to  
14          testify to this group about the contribution  
15          that our program has made on the state's  
16          economic development efforts and explain why  
17          we'd like to have funding restored to the  
18          levels it had in the past six years, and  
19          that's \$1 million annually.

20                 What is HPCNY? It's a consortium of  
21          universities led by the founding members, the  
22          University of Buffalo, Rensselaer Polytechnic  
23          Institute, and Stony Brook University. And  
24          just most recently, in the last three years,

1           it was joined by Mt. Sinai School of  
2           Medicine, Marist College, and NYSERNET is the  
3           network backbone for it.

4                     And what do we do? We have  
5           high-performance computing assets at all  
6           these institutions, and what we want to do  
7           and what we've done successfully in the last  
8           six years is leverage these assets, which are  
9           very expensive to purchase and maintain, for  
10          the benefit of New York State businesses. We  
11          work with them and collaborate with them to  
12          improve existing technology -- and I'm going  
13          to give you some examples of that today --  
14          accelerate new product development --  
15          included in your packet, which I won't  
16          discuss today, is a summary of the cumulative  
17          economic impact we've had, but also some  
18          other examples of start-up companies that  
19          we've worked with in the past, so you can get  
20          a better idea of some of the things we do --  
21          and also enable data-driven technology.

22                     You've talked a little bit about  
23          artificial intelligence and machine learning  
24          and the impact it's going to have on our

1       society in general and the impact it will  
2       have on job creation and job loss in some  
3       industries. As you mentioned before, the  
4       truck driving will be an automated industry  
5       in the future.

6               And so we've been around for six  
7       years, though, and we have a record. And a  
8       lot of you talked about return on investment.  
9       And I'd like to talk a little bit about our  
10      return on investment, because it's been  
11      pretty remarkable for the investment, and  
12      we're appreciative of every single dollar we  
13      get from the state.

14             But it's been a pretty substantial  
15      investment in terms of business growth, job  
16      creation and retention. And after I'm done  
17      talking, you can look at the cumulative  
18      budget table that we have in here. It lists  
19      all the companies we've worked with since  
20      2015. We've created over 80 new jobs under  
21      this program, we've retained 22, and we've  
22      helped companies achieve \$66 million in  
23      non-jobs impacts. And we define what that is  
24      in the table. And that's all with a total



1 New York State investment of \$3 million, or  
2 \$1 million per year.

3 But the best way to identify the  
4 source of our success is to highlight some of  
5 the companies we've worked with, because it's  
6 difficult for me to say what does the high  
7 performance computing consortium do, and I  
8 think it's better to do that through  
9 examples. And I've listed two examples in  
10 here, but I'm only going to -- for the sake  
11 of time, I'll focus only on the first one,  
12 Sentient Science.

13 And I'm focusing on Western New York  
14 businesses, largely because I'm most familiar  
15 with them, but there's many, many good  
16 examples throughout the state from our  
17 partner institutions -- RPI, as a matter of  
18 fact, Mark Beale is in here, he's the CEO of  
19 Simmetrix. He was going to testify today but  
20 he couldn't be here this late in the  
21 afternoon. But his testimony is in there,  
22 and that's an Albany-based start-up company.

23 Let me start with Sentient Science.  
24 They were founded -- they're an Idaho-based

1           company -- in 2011. I was there at the time.  
2           They were wooed by many universities. It  
3           turns out they selected Buffalo primarily  
4           because of access to our high-performance  
5           computing capabilities. And it's not just  
6           the computers. That's important, you have to  
7           have those, but it's people with expertise  
8           and knowledge in computational science and  
9           knowledge in data science. And that's what  
10          HPCNY funds. It's the people with the  
11          knowledge in those areas.

12                 And it's likely without ESD and NYSTAR  
13          support, both through HPCNY and through the  
14          Regional Economic Development Council -- they  
15          funded one of the industrial supercomputers  
16          that we have at Buffalo -- they wouldn't have  
17          relocated to New York State.

18                 So what does Sentient Science do?  
19          They specialize in the predictive failure of  
20          mechanical devices, such as wind turbine  
21          gearboxes, using computation. Prior to this,  
22          the standard method for determining the  
23          lifetime of most mechanical devices was  
24          through expensive and time-consuming physical

1 testing.

2           What does that mean? Say you had a  
3 hinge on the door of an automobile and you  
4 wanted to know how long will that be before  
5 that hinge fatigues. You would put that door  
6 on a test and you'd slam it, open it and  
7 close it, a million times until the hinge  
8 fatigues. And then you'd know, okay, let me  
9 change the design a little bit and let me  
10 redo that experiment and see how long it  
11 takes for that hinge design to fatigue. It's  
12 expensive, and it's very time-consuming.

13           Sentient's computer models have been  
14 proven accurate by NASA, who has 20 years of  
15 experimental data. And they have been proven  
16 accurate by NASA and manufacturers Boeing,  
17 GE, and Honeywell, alleviating the need for  
18 physical testing in many of these cases. So  
19 it's really a niche company in this  
20 particular area. They don't really have a  
21 lot of competitors in that space.

22           Well, they came to Buffalo in 2012 and  
23 they conduct predictive analyses of the  
24 lifetime of wind turbines as well as

1        recommendations to improve their operational  
2        efficiency. And according to their president  
3        and CEO Ward Thomas, "By using our  
4        technology" -- meaning Sentient's  
5        technology -- "companies can extend the  
6        lifetime of their wind turbines from eight  
7        years to 30 years." He calls the 22 extra  
8        years "my value proposition."

9                    And it must be true, because when they  
10       first came to us in 2012, they were  
11       monitoring 800 wind turbines in the field.  
12       That data all comes to our computers at the  
13       university, it's processed, and then that  
14       information is used by the owners of those  
15       wind turbines to change operational  
16       characteristics. So 800 wind turbines in  
17       2012; today they monitor 22,000 wind  
18       turbines. And they expect to grow it to  
19       60,000 by the end of this year. One out of  
20       every 10 wind turbines in the entire world  
21       are monitored by this company's proprietary  
22       software, and it's all running on our HPCNY  
23       supercomputing resources.

24                   But again, as I mentioned at the

1       beginning, it's not just access to the  
2       supercomputing resources, it's the knowledge  
3       and expertise of the computational scientists  
4       and the data scientists that we have at these  
5       institutions that are so valued by the  
6       companies. Many of these companies are small  
7       companies; they can't afford to have the  
8       expertise on their staff. They're just  
9       starting out; they can't afford a  
10      computational scientist or a data scientist.

11             A perfect example of that -- and I'll  
12      leave it to you to read -- is Garwood Medical  
13      Devices. They're interested in making  
14      medical devices for the attenuation of  
15      infections in implants. They have great  
16      ideas; they do not have the technical knowhow  
17      to develop those ideas into a product. And  
18      they're working with HPCNY scientists.

19             But in terms of -- let me get back to  
20      Sentient. So working with our computational  
21      scientists, we were able to improve the  
22      throughput, the efficiency of their  
23      particular computer simulations by a factor  
24      of 16. When you're monitoring 800 wind

1           turbines, who cares -- sixteen times faster  
2           isn't a big deal. When you're monitoring  
3           60,000 wind turbines, we don't have the  
4           computing capacity to be able to monitor that  
5           many without an increase in the efficiency of  
6           their program. And that efficiency was  
7           gained by computational scientists for HPCNY.

8                     I'll just end a little bit with a  
9           little bit more history of the company. It's  
10          a pretty remarkable company. It's focused on  
11          wind, aerospace and rail industries. It will  
12          soon expand to additional markets. They  
13          received \$22 million in external funding this  
14          year.

15                    They also were a winner, they received  
16          \$2 million -- I think in your thing it says  
17          \$9 million, but it should be \$2 million.  
18          It's correct in the table -- they were a  
19          TIBBETS award winner. And it's a very  
20          prestigious award, it's given by the U.S.  
21          government, it's their highest award given by  
22          their SBIR program for excellence in  
23          commercial companies.

24                    Sentient's customers include General

1 Electric, Duke Energy, Boeing, and Sikorsky.

2 And so what has it meant for Buffalo?  
3 They came to Buffalo in 2012 with four  
4 employees; they now have over 50 in Buffalo,  
5 and they intend to grow by 70 this year. And  
6 so this is with an investment of a total of a  
7 million a year over the past three years.  
8 And that's not just in Buffalo, that's  
9 throughout the entire consortium.

10 And so we talked about return on  
11 investment. It's a pretty remarkable  
12 investment, and I'm proud of it. I grew up  
13 in New York State, I grew up in Buffalo. I  
14 want to see this state succeed. I'm proud of  
15 the accomplishments this organization has  
16 made.

17 I won't go through VOICEITT. It's  
18 another interesting start-up company that's  
19 looking at speech disabilities. And they  
20 have a cellphone app they're interested in  
21 developing that when you speak into it, the  
22 person with disabilities speaks into it, it  
23 does the voice translations so the person at  
24 the other end can understand the speech.

1                   And why are they interested in our  
2                   center? Because it uses machine learning and  
3                   it uses artificial intelligence. And to  
4                   develop the algorithm that will eventually  
5                   fit on a phone, you have to do hundreds of  
6                   thousands of simulations to develop that  
7                   algorithm that ends up onto the smartphone.

8                   I'll give you a quick example. If you  
9                   want to train -- in image recognition, if you  
10                  want to train the computer to recognize a  
11                  cat, if you did it with a 3-year-old and you  
12                  showed them three pictures of a cat, you  
13                  showed them a bunch of other pictures of a  
14                  cat, the 3-year-old would be able to pick  
15                  them out quickly.

16                 In artificial intelligence, it doesn't  
17                 work that way. You have to provide the  
18                 artificial intelligence, you have to train it  
19                 on literally millions of images of cats. A  
20                 lot of computing. And at the end you develop  
21                 an algorithm that can run on anything that  
22                 will recognize a cat from the image. But to  
23                 develop that algorithm requires literally  
24                 millions of images and high-performance



2                   So VOICEITT is the same sort of  
3            thing -- not on images, but on voice and  
4            recordings. And so they're going to be using  
5            our center to do the training to develop the  
6            algorithm that will end up on that cellphone.

11                      Thank you.

17 DR. FURLANI: Thank you.

19 CHAIRWOMAN YOUNG: Our next speaker is  
20 Executive Director Adam Zaranko, New York  
21 State Land Bank Association.

23 (Laughter.)

1 to be speaking, you could move down toward  
2 the front.

3 Thank you, and welcome.

4 MR. ZARANKO: Thank you. Thank you  
5 for having me. I appreciate the opportunity.

6 I'm Adam Zaranko, I'm the executive  
7 director of the Albany County Land Bank, and  
8 I'm here today on behalf of the New York Land  
9 Bank Association, which is an association  
10 that represents most of New York's land banks  
11 through education and technical assistance.

12 I want to thank the chair and the  
13 committee for the opportunity to present the  
14 importance of adequately funding land banks  
15 and will answer any questions you may have.

16 Just about every municipality in  
17 New York State contains zombie or  
18 tax-foreclosed vacant and abandoned  
19 properties. Although it's hard to pin down  
20 the exact number, it's estimated that there  
21 are hundreds of thousands of these properties  
22 plaguing communities across New York State.

23 What is clear is that these properties  
24 don't respect neighborhood or municipal

1 boundaries and can be found in every corner  
2 of the state. In fact, just here in Albany,  
3 within a several-mile radius of this very  
4 building, there's over a thousand vacant  
5 buildings and at least as many vacant lots.  
6 You probably drove by some of them on your  
7 way in. And it's similar levels compared to  
8 our other peer cities.

9 A few years ago, New York State passed  
10 the Land Bank Act, enabling communities  
11 throughout the state to create land banks to  
12 address these problem properties plaguing our  
13 neighborhoods. Our state leaders should be  
14 commended for their leadership and tremendous  
15 foresight on this issue, and we thank  
16 everyone that supported the effort, because  
17 your work is yielding concrete results.

18 In just a short time the state's 23  
19 land banks have become a proven solution for  
20 strengthening communities from Buffalo to  
21 Long Island, revitalizing neighborhoods,  
22 supporting local economic development,  
23 creating more affordable housing, and  
24 preserving open space and protecting the

1 environment. In just five years, our land  
2 banks have achieved nationally recognized  
3 progress that has exceeded even the most  
4 ambitious expectations.

5 I included in what I submitted a  
6 report with some numbers from the state, but  
7 some projects worth highlighting are in  
8 Chautauqua, they used their funds to demolish  
9 a blighted eyesore building and transform it  
10 to a featured entrance to a trail. Suffolk  
11 County has been doing a lot of work on  
12 remediating brownfields. And Rochester has a  
13 strategic blight elimination program.

14 Vacant and abandoned properties  
15 decrease tax values, reduce the tax base,  
16 they're linked to more crime, they've even  
17 been linked to decreased literacy rates in  
18 children under some studies. Even the most  
19 challenging of these properties can inflict  
20 severe harm. These are properties that local  
21 government cannot solve for in a meaningful  
22 way and that the private real estate market  
23 will never absorb. These become zombie  
24 properties, harming our communities for 5,

1           10, 15, even more than 20 years.

2           The good news is thanks to the  
3           leadership of New York State, land banks have  
4           the statutory powers needed to work with  
5           local governments and our communities to  
6           address even the most problematic properties.  
7           Land banks are solving these problem  
8           properties across the state, sometimes within  
9           several months of acquisition.

10          Despite our considerable progress,  
11          tens of thousands of zombie and  
12          tax-foreclosed vacant properties continue to  
13          harm our legacy cities in parts of New York  
14          State. Restoring our communities requires  
15          both innovative approaches and sufficient  
16          resources. To date, land banks have been  
17          primarily funded by the New York State  
18          Attorney General's Office, using bank  
19          settlement money. However, there are  
20          currently no committed funds for land banks  
21          identified beyond 2018.

22          The New York State Land Bank  
23          Association has requested a \$60 million  
24          General Fund allocation in the upcoming state

1        budget -- \$50 million for capital  
2        improvements and up to \$10 million for  
3        predevelopment activities -- to be  
4        apportioned among land banks based on the  
5        size of the communities served and the scale  
6        of their blighted-property challenge.

7            Land banks have proven to be a wise  
8        investment, generating a positive return for  
9        every public dollar invested, and financial  
10      support for land banks would complement other  
11      innovative state programs such as the Restore  
12      New York Communities Initiative, the Downtown  
13      Revitalization Initiative, and the URI.  
14      Under state law, land banks have many tools  
15      in their toolkit that can help facilitate  
16      such economic development projects.

17            While existing economic development  
18      programs are well-intended and beneficial to  
19      New York State's communities, they are often  
20      limited as to what extent, if any, they have  
21      been able to work with the needs and  
22      structures of New York State's land banks to  
23      address the significant scope and scale of  
24      the problem properties plaguing our

1 neighborhoods.

2 Without systematically and  
3 meaningfully addressing problem properties,  
4 even the most well-intended economic  
5 development program and sizable investments  
6 are undermined by the presence of vacant and  
7 abandoned properties. Essentially, the  
8 presence of these properties are undermining  
9 the state's economic development investments.

10 Because these properties are often  
11 concentrated in economically distressed  
12 neighborhoods, economic development programs  
13 that are applied in different areas can  
14 inadvertently create more disparity and  
15 inequality between neighborhoods.  
16 Essentially, when one neighborhood rises, the  
17 other can fall further behind. An investment  
18 in land banks can help mitigate that effect  
19 and create a more equitable and comprehensive  
20 economic development program.

21 New York State land banks will help  
22 break the insidious cycle of disinvestment  
23 experienced by so many communities and will  
24 complement existing state programs,

1           amplifying revitalization efforts throughout  
2           the state. Land banks are requesting that  
3           our state representatives add this  
4           much-needed funding to the fiscal year 2019  
5           state budget so that New York State can  
6           remain a national leader in this innovative  
7           approach to revitalizing communities.

8                     We firmly believe that all New Yorkers  
9           deserve safe, stable and affordable  
10          neighborhoods to call home, and we look  
11          forward to continuing our work across the  
12          state. Thank you for your time and  
13          consideration.

14                    CHAIRWOMAN YOUNG: Thank you.

15                    Any questions?

16                    CHAIRWOMAN WEINSTEIN: I'd like to ask  
17          a question.

18                    So when some of these properties are  
19          being brought up to code, it then generates  
20          additional resources that you're able to  
21          continue to use to purchase other properties?

22                    MR. ZARANKO: Yes. Each land bank has  
23          a little bit different of a model, but the  
24          Albany County Land Bank receives most of the



1 county's tax-foreclosed residential  
2 properties, lots and buildings, and then we  
3 either invest our grant funds in changing --  
4 essentially make an investment in the  
5 building.

6 A lot of these buildings have been  
7 deteriorated for so long that it takes more  
8 money to put into rehab than they're worth at  
9 the end of the day. And because they're next  
10 to other vacant buildings, the values are  
11 depressed.

12 So we do use the grant money to change  
13 the economics of the building to create a  
14 viable project, essentially. We sell it to a  
15 responsible buyer, and we vet the buyer,  
16 there's an application process, a plan in  
17 place, a budget, a scope.

18 And so we do recognize revenue from  
19 that, but it's usually not sufficient to  
20 cover the costs of the hardest-to-solve-for  
21 buildings. Which is why the grant capital  
22 money is so important to our work.

23 And in some cases the buildings cannot  
24 be saved and demolition is the only course of

1           action, because we get them at the end of  
2           their life span. It's very expensive to  
3           demolish these buildings, but it really  
4           changes the neighborhood.

5                   CHAIRWOMAN WEINSTEIN: And just from  
6           your perspective -- I know it's only really  
7           been a few months that the Vacant and  
8           Abandoned legislation was changed in last  
9           year's budget. But have you seen whether  
10          that is making a difference or --

11                   MR. ZARANKO: The amendment to the  
12          Land Bank Law has been very helpful for us,  
13          and the previous amendments as well. It  
14          helps us, it provides land banks with the  
15          tools that we need to solve for these, and a  
16          lot of that is giving us the ability to bank  
17          property, enjoy some exemptions, eliminate  
18          liens and back taxes, and make them more  
19          viable to put back online in a responsible  
20          way. So it's certainly been helpful.

21                   Funding is probably the key missing  
22          piece to solving for this comprehensively  
23          across the state.

24                   CHAIRWOMAN WEINSTEIN: Thank you.

1                   CHAIRWOMAN YOUNG:   Senator Krueger.

2                   SENATOR KRUEGER:   Thank you.

3                   So in your testimony -- actually, I  
4                   was reading through the whole report while  
5                   you were testifying, and you were talking  
6                   about the land banks' role in sort of filling  
7                   in, you know, so to speak, vacuums within  
8                   older towns and cities.

9                   I don't know if you were here earlier  
10                  when I was questioning Howard Zemsky and he  
11                  was going on about what he saw as the real  
12                  success of New York State economic  
13                  development, which was supporting the small  
14                  community building and community supporting  
15                  projects.

16                  One, do you see that that's happening  
17                  beyond what you're doing in land banking?  
18                  And two, do you see this as somehow  
19                  complementary or coordinated or needs to be  
20                  coordinated?

21                  MR. ZARANKO:   It's a good question.

22                  I do see land banks as complementary  
23                  to existing state investments.  I think you  
24                  need the whole multi-layered approach.

1                   What we see -- and I can speak for the  
2                   Albany area, Albany County -- the City of  
3                   Albany has a pretty defined central business  
4                   district and, you know, the state seat here.  
5                   In neighborhoods right around the fringes,  
6                   we're seeing a lot of revitalization happen.  
7                   Folks that work here are coming because of  
8                   the investments of economic development  
9                   programs, are finding our properties and  
10                  viable projects to rehab, and they're helping  
11                  put those properties back online.

12                 I was here when the commissioner spoke  
13                 about kind of the millennial market. That is  
14                 certainly part of the growing market that  
15                 we're seeing, but we're also trying to use  
16                 our powers that are provided to us to create  
17                 pathways to home ownership for residents in  
18                 these communities that are renting, that are  
19                 severely rent-burdened or rent-burdened, to  
20                 acquire properties for the first time. And  
21                 so we're building a mix of different types of  
22                 folks living in these neighborhoods over  
23                 time.

24                 So I do see them as all kind of

1 dovetailing together and not mutually  
2 exclusive programs.

3 SENATOR KRUEGER: And, I'm sorry, I  
4 said one question but now I have two.

5 So the funding up until now has come  
6 out of bank settlement money, is that  
7 correct?

8 MR. ZARANKO: Correct.

9 SENATOR KRUEGER: And there's no  
10 additional continuing money in the  
11 going-forward years?

12 MR. ZARANKO: To our knowledge, the  
13 existing grant -- pool of grants from the CRI  
14 fund from the Attorney General's Office do  
15 not go beyond the last tranche, which ends at  
16 December 31, 2018, for all land banks.

17 SENATOR KRUEGER: Have you been  
18 eligible to apply for Regional Economic  
19 Development funds in the past?

20 MR. ZARANKO: We -- I believe land  
21 banks are eligible. Our land bank did not  
22 apply this year. We're certainly interested  
23 in doing it.

24 What we're -- we've met with a lot of

1 different components of the state and other  
2 grant sources, from housing on to economic  
3 development. We've had a great deal of  
4 difficulty fitting our program, which is  
5 essentially more nimble and flexible, and the  
6 type of money that we need is concentrated  
7 around stabilizations, cleanouts, abatements  
8 and demolitions and not so much new  
9 construction and downtown investments -- we  
10 haven't found a good match in the state kind  
11 of family of programs yet.

12 SENATOR KRUEGER: Thank you.

13 CHAIRWOMAN YOUNG: That was three  
14 questions, by the way.

15 SENATOR KRUEGER: I know, that's true.  
16 It was three.

17 CHAIRWOMAN YOUNG: We appreciate  
18 everything that the lands banks do. You've  
19 pointed out that they're out in my neck of  
20 the woods too, and we are very happy with  
21 what they've been able to achieve. So I  
22 appreciate your participation today. Thank  
23 you.

24 MR. ZARANKO: Thank you for the

1 opportunity.

2 SENATOR KRUEGER: Thank you.

3 CHAIRWOMAN WEINSTEIN: Thank you.

4 CHAIRWOMAN YOUNG: Our final speakers  
5 are from the New York Caring Majority. It's  
6 Ilana Berger, executive director of Hand in  
7 Hand: The Domestic Employers Network, and  
8 Kelly McMullin, member leader of the New York  
9 Caring Majority. Welcome.

10 MS. BERGER: Thank you.

11 I'll start. Hi, my name is Ilana  
12 Berger, the director of Hand in Hand: The  
13 Domestic Employers Network. Thank you for  
14 the opportunity to testify. I know it's been  
15 a long day. We've all had this long day  
16 here.

17 So Hand in Hand is a network of  
18 employers of nannies, housecleaners and home  
19 attendants, home care workers, working for  
20 dignified and respectful working conditions  
21 that benefit the worker and employer alike.  
22 So we work with seniors and people with  
23 disabilities from around the state who are  
24 working for access to affordable long-term

1       care, and with home care workers, and also as  
2       part of the Caring Majority, which is a  
3       campaign of seniors, people with  
4       disabilities, home care workers and family  
5       caregivers working for affordable access to  
6       care as well as championing the direct care  
7       workforce.

8               So you have my testimony. It's been a  
9       long day; I'm not going to go through all of  
10      it. We're here mostly just to strongly  
11      encourage that for all the conversation we  
12      heard today -- actually, Senator Krueger had  
13      some good points about sort of some of the  
14      issues that came up around economic  
15      development in this state, that all these  
16      silver bullets and these huge proposals, that  
17      there are actually some economic -- that home  
18      care, as an economic development issue in the  
19      State of New York, is something that we  
20      really encourage you to take up. And that it  
21      isn't entered into the conversation at all,  
22      but it's a tremendously important industry in  
23      this state and is worthy of investment.

24             So I'm sure you're aware that our



1 state -- we heard people talking about it,  
2 the aging boom that we're facing. Every  
3 8 seconds, somebody turns 65. In New York  
4 City alone, the older adult population is  
5 expected to reach 1.4 million by the year  
6 2030, and people are going to need home care.

7 So we have this great opportunity --  
8 people are living longer, people choose to  
9 age in place, both because it allows them to  
10 remain with their families and with their  
11 communities, and also it's a lot cheaper.

12 So home health aide services in this  
13 state can cost about \$4,400 a month, where  
14 nursing home care is over \$11,000 per person  
15 per month for a private room. We talk about  
16 what that costs long term, we get into a  
17 real -- it's a lot, right?

18 And one of the things that does make  
19 aging in place possible is home care. Experts  
20 say that 70 percent of those who are 65 and  
21 older will need long-term care within their  
22 lifetime; 20 percent for five years or  
23 longer.

24 So despite this growth in people

1       needing care, the state is facing a  
2       devastating shortage of workers, which makes  
3       it impossible often for people to age in  
4       place and find the care and support they need  
5       to do so. The major reason for this is low  
6       pay and challenging work conditions and very  
7       little support for the direct care workforce,  
8       and that's especially true in rural areas of  
9       the state.

10               So we are here just because we find it  
11       unfortunate and almost surprising that home  
12       care is not considered in the economic  
13       development context for the state. Home care  
14       and consumer-directed personal assistance are  
15       driving local economies across the state.  
16       They create jobs in every corner of the  
17       state.

18               But again, we can't retain workers.  
19       These poor wages reflect a lack of  
20       investment in the workforce, and a failure to  
21       look at these workers through an economic  
22       development lens represents a failure of  
23       New York to invest in the jobs that  
24       lower-income New Yorkers, especially women of

1 color, rely on. And they're also jobs that  
2 immediately invest back in local economies  
3 through food, rent, and other necessities.

4 So there's lots of information in your  
5 report about the sort of infrastructure  
6 that's in place and how much it's a growth  
7 industry. But ultimately some of the numbers  
8 in there show the fact that long-term care  
9 provides about \$30 billion into the state's  
10 economy annually.

11 So we were talking on sort of more of  
12 an anecdotal level; there's an almost  
13 three-quarters of a billion dollar investment  
14 in SolarCity/Tesla, you know, that hopefully  
15 will create 5,000 jobs over 10 years in this  
16 state. But just on an anecdotal level,  
17 talking to a couple of fiscal intermediaries,  
18 which on the consumer-directed program is  
19 what allows people who hire home care workers  
20 to do it themselves, to sort of hire, retain,  
21 and fire their own home care workers, and the  
22 fiscal intermediaries are the agencies that  
23 then people can contract through.

24 They -- a couple of them, one in Erie

1 County in 2014 had 418 personal assistants  
2 working with them, and it went up to 740 by  
3 2016. Another in the North Country, in 2014  
4 they had 582 PAs; in 2016, it was up to  
5 1,174. So they're creating jobs already.

6 So we have a number of acts already in  
7 the budget with the Workforce Committee and  
8 the Health Committee around expanding a study  
9 that would look at how we could support home  
10 care workers in rural parts of the state, as  
11 well as a Home Care Jobs Innovation Fund.  
12 But we're really hoping to work with you to  
13 help find more creative ways to look at home  
14 care as a workforce.

15 And in talking to people around the  
16 state, we have people who have the political  
17 will to support you and are organizing. We  
18 really want to continue to work with you to  
19 make some more investment into home care as  
20 an economic development growth industry in  
21 our state.

22 I should pass it to you, Kelly, so you  
23 can get your time.

24 MS. McMULLEN: Hello.

1                   CHAIRWOMAN YOUNG: Hello.

2                   MS. McMULLEN: So I just want you to  
3 know that I'm a member of Statewide Senior  
4 Action Council and I'm actually on the public  
5 policy committee, and there will be some  
6 specific asks that will come out around home  
7 care from us statewide.

8                   But I also am a retired CEO, having  
9 both worked in the private nonprofit sector  
10 and in the governmental sector, serving  
11 children with disabilities and adults with  
12 mental illness and substance abuse and  
13 developmental disabilities. And finally, my  
14 most recent post was Ulster County director  
15 of the Office for the Aging.

16                   And when I retired, I said I wanted to  
17 do something meaningful. And honestly,  
18 investment in home care, to me, is the single  
19 best thing we could do both to take care of  
20 our elders, take care of our vulnerable  
21 populations, and also to support economic  
22 development and security in local  
23 municipalities.

24                   So having been a director of human

1 resources at an agency that hired people to  
2 serve children with disabilities, I saw the  
3 caliber of people that we were hiring and the  
4 lack of training that they came in with, and  
5 then the high turnover rate that subsequently  
6 developed because of that, and what that did  
7 to the standard and quality of care.

8 And then I continued to see that in my  
9 other jobs, and finally as the OFA director.  
10 So even with the state EISEP funds that we  
11 got through the Office for the Aging, we were  
12 unable to fill the hours that were  
13 approved -- and that money gets turned back  
14 to the state; you can't use it for anything  
15 else -- because there are just people not  
16 willing to do the work.

17 So the home care agencies will tell  
18 you that they have a high turnover rate, they  
19 can't fill their hours, they can't fill their  
20 Medicaid-funded hours, they can't fill the  
21 EISEP-funded hours. And even people of means  
22 who can pay privately cannot find the workers  
23 to do the work.

24 The problem is if you don't identify

1       that this is a workforce that could benefit  
2       our state in general, our municipalities  
3       specifically, and support them to earn a  
4       proper wage, then we are looking at  
5       seniors -- and we heard about the crush of  
6       baby boomers coming -- are going to bankrupt  
7       us with Medicaid expenses as they spend down  
8       their resources or need to access home care  
9       essentially inside an institution.

10               So that was some of my experiences in  
11       my roles. So we gave you some of the  
12       statistics about baby boomers turning 65  
13       every day, the demand and need for home care  
14       aides, and to not do this really will  
15       increase societal costs.

16               And also I heard a lot about women and  
17       people of color and incubators for employing  
18       those people. Most of the people who do the  
19       home care work are women and people of color.  
20       So investing in them to do that work at a  
21       competitive wage that would help them cover  
22       their domestic costs and their housing costs  
23       would be a terrific thing.

24               And also, the majority of people who

1 do the work now cannot afford the rent or  
2 certainly mortgages in the communities they  
3 live. In fact, most of the people that  
4 provide home care in Ulster County were  
5 living outside the county and commuting in to  
6 do the work.

7 So I'm supporting an opportunity to  
8 create a middle class, essentially. We talk  
9 about manufacturing leaving, we talk about  
10 people who need work who do not have college  
11 degrees or cannot afford them. This is a  
12 great opportunity to pay people the right  
13 amount of money, create a middle class, and  
14 turn high-demand and low-pay jobs into  
15 high-demand and high-pay jobs.

16 It will also meet the needs of the  
17 baby boomers coming that, if we don't, will  
18 cost us tremendously.

19 CHAIRWOMAN YOUNG: Thank you for that  
20 testimony.

21 And I want to thank you for being here  
22 at the Economic Development hearing. As you  
23 know, we'll have lot of discussion about home  
24 care at the Health table. And certainly in



1           our conference in the Senate we've been very,  
2           very supportive of home care and the senior  
3           population in general.

4                     But with Medicaid redesign and some of  
5           the initiatives that have occurred over the  
6           years, I believe that home care has been  
7           actually hurt in many ways. And so we need  
8           to take a strong look at that as we move  
9           forward because, as you point out, we have an  
10          aging population.

11                    I think there are different challenges  
12          that come forward, especially in rural areas  
13          with the distance in between stops for a home  
14          care worker, which are very different than in  
15          an urban setting.

16                    So I appreciate you thinking  
17          creatively and being here today, and look  
18          forward to more conversations.

19                    CHAIRWOMAN WEINSTEIN: I would just  
20          join those thoughts.

21                    Earlier today you may have heard  
22          Assemblywoman Crystal Peoples-Stokes ask  
23          about childcare as an economic development  
24          issue. And, you know, clearly this is the

1       other end of childcare. In both instances,  
2       you often have a family member who is  
3       providing the care and taking someone out  
4       of -- is someone not being able to have a  
5       full-time job or being able to contribute to  
6       the economy.

7               So I would hope that these issues,  
8       childcare and home care services, continue to  
9       be seen as economic issues.

10              MS. McMULLEN: Yeah. Because, you  
11       know, you have an erosion here, right? And  
12       if we don't step in and do something, we'll  
13       have a continued erosion.

14              So people who have to leave the  
15       workforce to take care of family members are  
16       now not paying into Social Security and  
17       Medicare. So you just start to get, you  
18       know, a terrible erosion over time,  
19       neglecting the issue.

20              CHAIRWOMAN WEINSTEIN: So thank you,  
21       thank you again for being here today.

22              CHAIRWOMAN YOUNG: Thank you.

23              So that concludes the New York State  
24       Budget Hearing on Economic Development.

1           We'll be back for more fun tomorrow on Public  
2           Protection. So thank you, everyone.

3                   MS. BERGER: Thank you.

4                   (Whereupon, the budget hearing  
5           concluded at 3:58 p.m.)

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