

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

2 -----

3 JOINT LEGISLATIVE HEARING

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

6 -----

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

9 January 29, 2018
10 10:43 a.m.

11 PRESIDING:

12 Senator Catharine M. Young
Chair, Senate Finance Committee

13 Assemblywoman Helene E. Weinstein
14 Chair, Assembly Ways & Means Committee

15 PRESENT:

16 Senator Liz Krueger
Senate Finance Committee (RM)

17 Assemblyman Robert Oaks
18 Assembly Ways & Means Committee (RM)

19 Senator Phil Boyle
Chair, Senate Committee on Commerce,
20 Economic Development and Small Business

21 Senator Diane Savino
Vice Chair, Senate Finance Committee

22 Senator Rich Funke
23 Chair, Senate Committee on Cultural
Affairs, Tourism, Parks and Recreation
24

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

3 PRESENT: (Continued)

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

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 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,

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 it's
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 about 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 Our next speaker is Senator Sanders.

2 SENATOR SANDERS: Greetings, I think
3 we're here now. How are you, sir?

4 COMMISSIONER ZEMSKY: Good, how are
5 you?

6 SENATOR SANDERS: I'm doing well. I
7 see that you've been able to go this long.
8 Not bad, not bad.

9 COMMISSIONER ZEMSKY: What's that?

10 SENATOR SANDERS: You've been able to
11 last this long in the hearing, not bad.

12 COMMISSIONER ZEMSKY: It's an honor
13 and a pleasure all the time.

14 SENATOR SANDERS: I can imagine.

15 Let's take it back to MWBEs, sir,
16 minority- and women-owned business
17 enterprises. Your office added five more
18 support personnel to the office. Can you
19 explain why? And is this a sufficient
20 number?

21 COMMISSIONER ZEMSKY: It's going to be
22 sufficient, we feel, to address some of the
23 issues we have around backlog. We need to --
24 we've done a very aggressive outreach on

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 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

1 computing to do that.

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.

7 Anyway, I'm respectful of your time,
8 thankful for your time, and with your help
9 we'll ensure that HPCNY has the funding it
10 needs to continue its work in New York State.

11 Thank you.

12 CHAIRWOMAN YOUNG: All exciting stuff,
13 and we truly appreciate you sharing it with
14 us today. And it certainly portends for the
15 future. So thank you for coming all this
16 way. We really appreciate it.

17 DR. FURLANI: Thank you.

18 CHAIRWOMAN WEINSTEIN: Thank you.

19 CHAIRWOMAN YOUNG: Our next speaker is
20 Executive Director Adam Zaranko, New York
21 State Land Bank Association.

22 That's quite a grand entrance.

23 (Laughter.)

24 CHAIRWOMAN YOUNG: If people are going

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 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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