



TO: Members of the Senate Finance and Commerce, Economic Development and Small Business Committees; Members of the Assembly Ways & Means and Economic Development, Job Creation, Commerce & Industry Committees

FROM: Ryan M Silva

RE: Comments on the FY 2019-2020 Executive Budget

Thank you for the opportunity to provide comments on the proposed Executive Budget on behalf of the New York State Economic Development Council, the statewide, non-profit membership organization representing more than 1,000 organizations and individuals that make up the NYS economic development ecosystem. Our mission is to advocate for sound economic development programs, educate our members by sharing best practices, and develop sound policy to create jobs, stimulating investment that will increase the quality of life across the state.

As you are aware, New York State's economy is unique and diverse. Our unemployment rate is at near historic lows in all regions with the largest number of private sector jobs in our state's history. These are both good things. However, most of the job growth has occurred in New York City while upstate has lagged downstate and the rest of the nation. What's even more concerning is that our population continues to decline, particularly in upstate New York. This impacts all of New York State, leading to a declining tax base and further erosion of representation in Washington D.C. It is important to note this is not a new development; it's something that has been occurring for half a century. We need to look at where we are right now and where we are going from here. NYS sends more to the federal government than any other state and gets back less – 84 cents for every dollar in 2016 and 90 cents for every dollar in 2017 according to the Office of the State Comptroller. This will only continue with the removal of SALT, which will adversely affect all New Yorkers who can no longer deduct state and local tax. This means we have to rely further on state taxes to offset that deficit, all while our tax base is shrinking. The long-term impact of this continuing will be catastrophic for the New York State economy. There is no denying New York State is a high cost state; we consistently rank among the highest tax burdened and least business friendly states in the country. We need to be very mindful of any additional burden, both regulatory and financial, that we place on our state's economy.

There are bright signs in our state's economy. Over the last eight years, our unemployment rate has dropped from 9.4 percent in 2010 to 3.9 percent today. We have 9.78 million jobs, more than at any other point in our state's history. This has been accomplished while public sector employment has remained flat. Job growth is up 1.8 percent over the last 12 months. This is in large part due to public/private/academic partnerships that have created and retained jobs, helped new industries emerge, and revitalized communities.

We are seeing pockets of growth in communities, particularly in downtown urban areas, as millennials see new opportunities in once-thriving upstate cities, providing hope that we are moving in the right direction. Cities like Buffalo, Rochester, Binghamton, and Syracuse are seeing new projects, new programs, and new industries evolve through public/private, and academic partnerships. However, more can be and needs to be done. Equally important is how we invest in suburban and rural communities, leveraging the research and technology coming out of our urban communities to lure larger investments and developments that can't locate in urban communities.

Equally as important is investment in training our workforce for the jobs of tomorrow. The NYSEDC sees a critical role for our members to play by working with our partners in workforce development to make sure we have a skilled workforce. Generational poverty is something we need to address because it impacts not just cities but rural communities as well. Providing people with a pathway to a career is something we can do better. This means investing broadly in workforce not just for high skilled jobs that require advanced degrees but middle skill jobs that maintain the foundation for a strong statewide economy.

Investment in infrastructure and transportation is vital to building and sustaining livable communities. In the absence of a Federal Infrastructure Bill that we've all been waiting for over the last 10 years, New York needs to continue leading by investing in water, sewer, roads, bridges, and high-speed fiber. These public works projects are critical to attracting private sector investment and building communities that people will want to live, work, raise a family, and play in.

With that in mind, we believe these things need to be included in the Governor's budget or addressed through legislation:

Regional Economic Development Councils (REDCs): The NYSEDC believes the REDCs have been successful in three direct ways:

- They have empowered regions to develop their own strategic plan, which creates a blueprint of where the economy is heading and how it will grow.
- The REDCs have led to new collaborations between the public, private, and academic sectors by creating an opportunity for leaders from each of these areas to come together to find common solutions.
- The creation of the Consolidated Funding Application (CFA) has streamlined the process by which entities apply for multiple sources of state funding rather than go to 10 different state agencies and submit a different application for each program.

Continued funding of this program will lead to further leveraging private investment and better implementation of each region's strategic plan.

Downtown Revitalization: This initiative provides \$100 million for the Downtown Revitalization Initiative Round IV. The NYSEDC has long advocated for direct funding to urban centers. We support this initiative and believe it has and will continue to help small cities revitalize across upstate New York.

Continue the Phase-In of Middle Class Tax Cuts: The Budget supports the phase-in of the middle-class tax cuts. Under these reforms, rates will continue to drop to 5.5 percent and 6 percent when the cuts are fully phased in - an up to 20 percent cut in income tax rates for the middle class - and produce a projected \$4.2 billion in annual savings for six million filers by 2025. As the new rates phase in, they will be the State's lowest middle-class tax rates in more than 70 years. We support tax cuts to the middle class

Make Permanent the Highly Successful Property Tax Cap: Since the implementation of the tax cap in 2012, growth has averaged approximately 2 percent and the tax cap has produced approximately \$25 billion in taxpayers' savings. We propose that New York preserve and make permanent the property tax cap and fully appreciate the support the Senate and Assembly have given this.

Invest an Additional \$150 Billion in the Nation's Largest Infrastructure Program: Invest \$150 billion in infrastructure projects over the next five years. Beginning in FY 2020, these capital projects will rebuild transportation and mass transit systems, drive economic and community development, create new environmental and park facilities, and support our sustainable energy future. The NYSEDC fully supports these critical investments and would support additional funding if it is available through the budget process

Launch the \$175 Million Workforce Initiative: We support a new Consolidated Funding Application for workforce investments that will support strategic regional efforts that meet businesses' short-term workforce needs, improve regional talent pipelines, expand apprenticeships, and address the long-term needs of growing industries — with a focus on emerging fields with growing demand for jobs like clean energy, health technology, and computer science. These funds will also support efforts to improve the economic security of women, youth, and other populations that face significant barriers to career advancement.

Continue the Revitalization of the Great New York State Fairgrounds: The State Fair drives \$100 million a year in economic activity in Central New York and thousands of jobs. New York State has invested more than \$120 million dollars in two phases over the last three years to remake the New York State Fairgrounds. To continue the transformation of the fairgrounds, the State will make additional renovations and upgrades to enhance user experience. Tourism is a huge economic driver in New York State, and we continue to support these investments.

Fund Key Programs to Support New York's Farmers: The agricultural industry is full of variability and uncertainty. This year's Executive Budget will continue funding the specialized technical assistance, industry promotion, and research investments statewide to reduce farms' exposure to economic and

climate inconsistency. Farming is the backbone of the upstate New York economy. We fully support any programs that will keep our agricultural economy strong.

Proposals we would recommend or that we oppose

Statutory change allowing IDA funds to be invested back in local economies: In 2008, legislation authorizing IDAs to issue civic activity bonds to non-profits like hospitals and municipal projects was allowed to lapse. A 2015 interpretation of the IDA statute by the Authorities Budget Office (ABO) and the state Attorney General stated that IDAs are not explicitly authorized to utilize their funds for a community development project, invest in a startup company, fund critical public infrastructure, or fund a workforce development program. This interpretation has hindered growth in local economies. In some ways it has also led to the growth of LDCs being formed across NYS. This has negatively impacted economic development in the state, led to additional layers of redundancy, and limited readily available capital that could be invested to develop infrastructure, create jobs, invest in new business, or provide training to regional workforces. The NYS Economic Development Council is asking for a change in the IDA law to allow for investments to be made by IDAs under the full supervision and review by the Office of the State Comptroller, with full transparency in accordance with best practices passed in 2016.

Oppose expanding the definition of public works: NYS has some of the highest construction costs in the nation (on average 20 percent higher than other comparable states). This is due in part to a higher regulatory and permitting climate and higher than average labor cost due to existing regulations on how prevailing wage in NYS is calculated. The NYSEDC strongly opposes any expansion in the definition of a public works project that would include privately funded projects. Incentives exist in NYS to offset costs and stimulate private investments. Attaching prevailing wage to private projects in NYS would increase project costs anywhere from 15 to 30 percent, depending on the region, thus making the projects unfeasible. The NYSEDC does recognize the need for an increase in funding for public works projects to fix deteriorating roads, bridges, water and sewer systems, and an outdated electrical grid. We fully support any additional investments made by the state or local municipalities that will help build New York's infrastructure for future generations.

Investing and partnering with land banks: Across NYS there are now 25 land banks – local public authorities created to address blighted properties that the private market cannot address more nimbly and efficiently than local governments could themselves. As of mid-2018, land banks acquired more than 2,800 blighted properties, sold more than 1,200 of those properties to other parties that renovated or redeveloped them, renovated or redeveloped more than 500 themselves, and demolished 600-plus hazardous, deteriorated structures. Those activities leveraged more than \$100 million in private investment, returned more than \$40 million of assessed value to taxable status, and leveraged \$13 million in local government funding and \$13.5 million in other grant funds. The NYSEDC recognizes the role land banks play in the larger economic development ecosystem. We would support dedicated funding of up to \$100 million from NYS to support land bank activities and would encourage statutory amendments to local IDA law to empower IDAs to fund and support land banks as well, further leveraging existing funds and creating new partnerships.

RESTORE NY Program: Investment in downtowns increases property values, creates jobs, and helps communities achieve the broader economic development objectives of attracting outside investment. The Restore New York Communities Initiative provides municipalities with financial assistance for revitalization of commercial and residential properties. The program encourages community development and neighborhood growth through elimination and redevelopment of blighted structures. The initiative requires planning and directs funding where it is most needed: to projects involving the demolition, deconstruction, rehabilitation, and/or reconstruction of vacant, abandoned, condemned, and surplus properties. A strong emphasis is also placed on projects from economically distressed communities. The \$75 million that NYSEDC is recommending would continue the success of the program.

\$100 million over four years to develop “shovel-ready” sites: “The ultimate test of shovel-readiness is how many prospects go from consideration of your site to a full commitment in the form of job creation and commerce.” (Site Selection Magazine, May 4, 2017)

The primary drivers for most large-scale advanced manufacturing projects are workforce and site-readiness. A site is ultimately market-ready if it gets the facility in the ground on the terms of the company. If a site is not market-ready, it will not meet the timetable of the client, and therefore likely be eliminated from consideration. Too often, NY development sites are considered by prospects, but not chosen due to a lack of market-readiness. Market ready means:

- Completing planning, environmental assessments, zoning, engineering, and permitting of the site.
- Maintaining/expanding/constructing infrastructure to and within the site, including sewer, water, broadband and electric capacity.

We believe there is a need and a leadership opportunity to build even greater capacity in our communities. To achieve these objectives, which are essential for effective economic development to occur, the NYSEDC is recommending two approaches to developing market-ready sites, either of which we feel would address these challenges and create an opportunity for NYS to land major development projects in the future:

- Re-activating and funding Build Now/Shovel-Ready Certification Program at ESD for \$100 million. This allocation could be implemented through a funding round administered by ESD.

Or

- Create a \$100 million statewide competition that incentivizes planning and developing market ready sites across New York State.

Funding for Centers for Advanced Technology (CATs) and Centers of Excellence (COEs):

NYSTAR funds 15 CATs to encourage greater collaboration between private industry and universities in the development and application of new technologies. The CAT program, created in 1983, plays a critical role in spurring technology-based applied research and economic development in the state, promoting national and international research collaboration and innovation, and leveraging New York's research expertise and funding with investments from the federal government, foundations, businesses, venture capital firms and other entities. NYSTAR funds 11 COEs to foster collaboration between the academic research community and the business sector to develop and commercialize new products and technologies, to promote critical private sector investment in emerging high-technology fields in NYS,

and to create and expand technology-related businesses and employment. The NYSEDC believes these public/private/academic partnerships are vital to the innovation economy and leverage multiple sectors for job creation, retention, and entrepreneurship. We propose increased annual funding of \$24 million for the CATs and \$17.6 million for the COEs. This investment will leverage hundreds of millions of dollars in other federal and private sector funding.

Comprehensive reform to the state MWBE Program: The goal of increasing participation by minority or women-owned businesses in NYS is a noble and worthy goal, one the NYSEDC does support. However, there are major challenges in the current structure of the program that make it more challenging to meet the increasing goals while also discouraging potential MWBEs from going through the certification process. The NYSEDC recommends a complete overhaul of the MWBE Program including:

- Adjusting goals to better align with the number of certified and qualified MWBEs in each region
- Expediting the timeline for MWBE certification to six months
- Streamlining the application and recertification process to increase participation
- Staffing each of the 10 ESD regional offices with dedicated MWBE staff

Transparency and oversight with the Office of the State Comptroller (OSC): The NYSEDC believes transparency and oversight are vital to economic development efforts in NYS, ensuring that investments and incentives are leveraged most effectively to maximize their value. In 2016, we worked with the OSC to pass into law comprehensive reform for IDA disclosure and transparency, establishing best practices to improve reporting, and make more information available to the public. The NYSEDC believes we have an opportunity to build on that legislation by providing audit and oversight capacity of Local Development Corporations to the OSC. This would streamline the oversight and reporting process of public authorities across NYS and reduce redundancy and duplication in the oversight and regulatory system.

Video Game Tax Credit Program: Building cluster economies in NYS is vital for sustained growth. Assets like the Rochester Institute of Technology (RIT), rated the number one school for game design on the east coast, and Rensselaer Polytechnic Institute (RPI), whose game design program is ranked among the top 10 nationwide, are creating the workforce of tomorrow for this industry. Existing companies like Vicarious Visions (the creators of Guitar Hero), 1st Playable Productions, Darkwind Media, and the MAGIC Center are building cluster economies and retaining millennial talent. The NYSEDC supports the Video Game Tax Credit, which will help attract other similar companies from around the globe and help these existing companies continue to keep jobs and our intellectual talent here in the state. The tax credit will also ensure NYS remains competitive with other international gaming clusters such as Austin and Montreal that offer similar incentives

Sustained funding to support the NYS Business Plan Competition (NYSBPC): Since its inception in 2010, the NYSBPC has served more than 2,500 students, led to the creation of 100+ new businesses, and invested more than \$1 million, which has leveraged an additional \$20 million in private funding and entrepreneur services. In 2018, more than 100 teams hailing from across NYS vied for cash prizes and statewide recognition at the ninth annual New York Business Plan Competition Final. The NYBPC is the only collegiate business competition that is a regionally coordinated, collaborative, statewide

program connecting college students from more than 75 two- and four-year colleges and universities, setting it apart from all other competitions in the nation. To keep this program running, the NYSEDC is proposing annual funding of \$150,000 for administration costs, which would be matched by more than \$500,000 in prize funding, business services, and mentoring programs.