

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  
5 2019-2020 EXECUTIVE BUDGET ON  
6 ECONOMIC DEVELOPMENT

6 -----

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

9 February 12, 2019  
10 9:33 a.m.

11 PRESIDING:

12 Senator Liz Krueger  
13 Chair, Senate Finance Committee

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

16 PRESENT:

17 Senator James L. Seward  
18 Senate Finance Committee (RM)

19 Assemblyman William A. Barclay  
20 Assembly Ways & Means Committee (RM)

21 Senator Anna M. Kaplan  
22 Chair, Senate Committee on Commerce,  
23 Economic Development and Small Business

24 Assemblyman Robin Schimminger  
25 Chair, Assembly Committee on Economic  
26 Development, Job Creation, Commerce  
27 and Industry

28 Senator Diane J. Savino  
29 Chair, Senate Committee on Internet  
30 and Technology

1 2019-2020 Executive Budget  
Economic Development  
2 2-12-19

3 PRESENT: (Continued)

4 Assemblyman Al Stirpe  
Chair, Assembly Committee on Small Business

5 Senator John Liu

6 Assemblyman Angelo Morinello

7 Assemblywoman Catalina Cruz

8 Senator Pamela Helming

9 Assemblyman Harvey Epstein

10 Assemblyman Robert Smullen

11 Senator Kevin Thomas

12 Assemblyman Billy Jones

13 Senator Brad Hoylman

14 Assemblywoman Patricia Fahy

15 Assemblywoman Marianne Buttenschon

16 Senator Todd Kaminsky

17 Assemblyman Clifford W. Crouch

18 Assemblywoman Rodneyse Bichotte

19 Assemblyman Christopher S. Friend

20 Senator Robert E. Antonacci

21 Assemblyman Dan Stec

22 Assemblyman Charles D. Lavine

23 Senator Thomas F. O'Mara

24

1 2019-2020 Executive Budget  
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 2 2-12-19

3 PRESENT: (Continued)

4 Assemblywoman Inez Dickens

5 Senator Michael F. Ranzenhofer

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1                   CHAIRWOMAN KRUEGER: Good morning,  
2 everyone who's made it through security. I'm  
3 Senator Liz Krueger, chair of the Senate  
4 Finance Committee, joined by  
5 Helene Weinstein, my colleague in this  
6 endeavor, the chair of Ways and Means in the  
7 Assembly.

8                   Just our quick opening statement.  
9 Pursuant to the State Constitution and  
10 Legislative Law, the fiscal committees of the  
11 State Legislature are authorized to hold  
12 hearings on the Executive Budget. Today's  
13 hearing, the 12th of 13, will be limited to a  
14 discussion of the Governor's proposed budget  
15 for the State Department of Economic  
16 Development, Empire State Development, and  
17 the New York State Office of General  
18 Services.

19                   Following each presentation there will  
20 be some time allowed for questions from the  
21 chairs of the fiscal committees and other  
22 legislators. We will have representatives  
23 from both -- the CEO of the State Department  
24 of Economic Development, Howard Zemsky, then

1           RoAnn Destito, from the State Office of  
2           General Services. The commissioners'  
3           testimonies will be followed by a  
4           question-and-answer period with members of  
5           the Legislature.

6                     After the final question and answer  
7           period for the government representatives, an  
8           opportunity will be provided for members of  
9           the public to express their views on the  
10          budget under discussion. And again, people  
11          are welcome to submit their testimony in  
12          writing without staying the day to present  
13          the testimony orally.

14                    This hearing is being live-streamed on  
15          computer. All of the testimony submitted by  
16          today or within seven days will be put online  
17          for anyone and everyone to review.

18                    The way we have set up hearings this  
19          year is a little different than the past.  
20          You see these clocks in front of you? The  
21          commissioners and government representatives  
22          get 10 minutes to present their testimony.  
23          We always urge people to just highlight their  
24          key issues rather than read their entire

1 testimony, although some people have  
2 apparently timed it down to the second and  
3 can do the full written testimony in 10  
4 minutes.

5 After you complete your presentation,  
6 members of the Senate and the Assembly will  
7 be asking you questions. And the chairs of  
8 committees get 10 minutes for the questions  
9 and the answers. So know that the clock is  
10 both for the question and the answer. Some  
11 of us in the Legislature like to give  
12 five-minute questions; perhaps that's not the  
13 best use of our time.

14 (Laughter.)

15 CHAIRWOMAN KRUEGER: So it's  
16 10 minutes for chairs, five minutes for other  
17 members. Sorry. We've been doing this a  
18 while now. And the clock starts out with the  
19 time, and it's green lights. When you get  
20 the one-minute notice, it's yellow. And then  
21 when you hit zero, it actually blinks red and  
22 makes a noise. So it's a little bit like a  
23 TV game show.

24 (Sound effect.)



1                   CHAIRWOMAN KRUEGER: There you go,  
2 thank you for the example.

3                   Just to start us out introducing  
4 members of the Senate, I see Senator Todd  
5 Kaminsky, Senator Kevin Thomas, Senator John  
6 Liu, Senator Anna Kaplan, the chair of  
7 Economic Development, and Senator Diane  
8 Savino. And I'm joined by my ranker on the  
9 Senate Finance Committee, James Seward, who  
10 will just introduce his members.

11                  SENATOR SEWARD: Thank you, Madam  
12 Chair.

13                  We are joined today from my conference  
14 by Senator Pam Helming, who is the ranker on  
15 our Commerce Committee.

16                  CHAIRWOMAN KRUEGER: And the Assembly  
17 will introduce themselves.

18                  CHAIRWOMAN WEINSTEIN: So we're joined  
19 by Assemblyman Robin Schimminger, chair of  
20 our Economic Development Committee, and  
21 Catalina Cruz, a member of the committee.

22                  And then our ranker, Assemblyman Will  
23 Barclay, will introduce his conference.

24                  We also have Harvey Epstein who's here

1 with us.

2 ASSEMBLYMAN BARCLAY: Thank you,  
3 Chairwoman.

4 We're happy to be joined by  
5 Judge Angelo Morinello and Colonel Robert  
6 Smullen. Thank you.

7 SENATOR KRUEGER: Thank you.

8 All right. So good morning,  
9 Mr. Zemsky, and please present your  
10 testimony.

11 COMMISSIONER ZEMSKY: Great. Good  
12 morning. Good morning, everyone, it's great  
13 to be here.

14 Chairwoman Krueger, Chairwoman  
15 Weinstein, and distinguished members of the  
16 Senate and Assembly, good morning to all.  
17 I'm honored to appear before you today and  
18 discuss Governor Cuomo's Executive Budget for  
19 economic development.

20 I'm proud of what we have been able to  
21 do in New York State to grow jobs and  
22 opportunity, with your support. I've been  
23 engaged with Regional Councils since their  
24 inception eight years ago. I've seen

1 firsthand the positive difference a  
2 decentralized strategic and comprehensive  
3 approach to economic development can have.

4 We define economic development as  
5 investing in downtown revitalization across  
6 the state to improve the quality of life and  
7 to help keep and attract our young people.  
8 We define it as investing in our workforce to  
9 give people the opportunity to advance their  
10 skills, their careers, and their families.  
11 We define it as investing in innovation, be  
12 it Centers of Excellence, Centers of Advanced  
13 Technology, venture funds, business  
14 incubators, accelerators, and business plan  
15 competition. And of course we define it as  
16 investing in tradable sectors of the economy  
17 to help businesses grow and invest.

18 This year's budget has commitments of  
19 funding to continue REDC and the DRI,  
20 Downtown Revitalization Initiative. The  
21 Governor has also announced new commitments  
22 of funding from our URI for projects  
23 including the Syracuse Surge plan in Central  
24 New York; plans for a new world-class Nexus

1 Center sports complex in downtown Utica; and  
2 in the Southern Tier, funding to complete  
3 Binghamton University's Health Sciences  
4 Campus.

5 The budget supports strength and  
6 diversity with expansion and program  
7 improvements for our Minority and Women-Owned  
8 Business Enterprise program as we near our  
9 nation-leading goal of 30 percent  
10 participation.

11 Training our workforce continues as a  
12 priority with plans to improve our ETIP  
13 program and to launch a consolidated funding  
14 application for workforce investments.

15 Growing our life science sector and  
16 building on New York State's assets to do so  
17 will continue with budget support for  
18 projects including a \$750 million state  
19 commitment to rebuild the New York State  
20 Department of Health Wadsworth Center on  
21 Albany's Averill Harriman Campus. And we're  
22 adding the New York Food and Ag Challenge to  
23 our successful business competitions that are  
24 bringing entrepreneurial energy across

1 upstate.

2 Our tourism industry is setting  
3 record-breaking visitor numbers and is now  
4 our third largest industry, supporting  
5 938,000 jobs, and will continue to do so with  
6 budget support.

7 We are proud of what we've  
8 accomplished, and we will continue to be both  
9 accountable and accessible. This budget  
10 supports \$500,000 in funding to create a  
11 shareable and publicly searchable project  
12 database.

13 And you may have heard -- maybe --  
14 that we recently announced the largest  
15 economic development deal in New York's  
16 history with Amazon's selection of  
17 Long Island City, Queens, as the site of a  
18 new corporate headquarters, bringing tens of  
19 thousands of direct jobs and unprecedented  
20 billions in economic impact. The state and  
21 city are expected to realize a nine-to-one  
22 return. This is an outcome we worked very  
23 hard to achieve and we should be proud of.

24 We were only one of two winners out of

1           237 cities that submitted. It is a testimony  
2           to the vibrancy of New York City, its  
3           diversity, its workforce, its colleges and  
4           universities. It's testimony to New York  
5           State -- our fiscal responsibility, our  
6           credit rating, our investments in  
7           infrastructure, our Excelsior Scholarship  
8           Program, our colleges and universities, our  
9           sense of fairness and open-mindedness, and  
10          our values. It is a resounding vote of  
11          confidence in the people of this great state  
12          and its governance and its future.

13                    The Governor knows how honored I am to  
14          have served these past four years as his head  
15          of economic development, and the people of  
16          ESD know how I feel about them. I'm  
17          extremely proud to be on their team, and I  
18          want to thank them for pretending to laugh at  
19          my jokes all these years.

20                    And I'm happy to take your questions.

21                    SENATOR KRUEGER: Thank you. I don't  
22          know whether I should ask the people behind  
23          you, is he actually funny?

24                    COMMISSIONER ZEMSKY: I'm sorry?

1                   CHAIRWOMAN KRUEGER: I asked your team  
2 if you're funny. They're shaking their heads  
3 yes.

4                   COMMISSIONER ZEMSKY: You see, that's  
5 why they're great.

6                   (Laughter.)

7                   COMMISSIONER ZEMSKY: Let me introduce  
8 you to Kevin Younis. I think many of you  
9 know Kevin. He is our executive vice  
10 president and chief operating officer.

11                   And I'm also joined, right behind me,  
12 by Pravina Raghavan, who's our executive vice  
13 president of small business and innovation.  
14 Pravina's also been involved with the  
15 Opportunity Zones program.

16                   In some of my preliminary  
17 conversations, I know that small business,  
18 Opportunity Zones, and other innovation may  
19 be a source of interest to everyone, and so  
20 I've invited Pravina. Because while I think  
21 I can give the B answer to many of those  
22 questions, I know she can give the A answer.  
23 And so maybe I'll just invite Pravina up. If  
24 we can maybe -- you know, I assume we'll have

1           some interspersed questions about small  
2           business and innovation and Opportunity  
3           Zones. And if that's okay, she can just join  
4           me here.

5                   CHAIRWOMAN KRUEGER: Why not. That's  
6           why you don't have to jump up and down when  
7           we do ask a question that your boss is going  
8           to redirect to you. So thank you, and  
9           welcome.

10                   Our first questioner will be Anna  
11           Kaplan, chair of the Economic Development  
12           Committee.

13                   SENATOR KAPLAN: Thank you.

14                   SENATOR KRUEGER: One more thing,  
15           sorry.

16                   People keep pointing out when they're  
17           watching online, they can hear what we're  
18           saying on our mics much more clearly than the  
19           room can. So if you're not asking a question  
20           or answering one, please press the button off  
21           on your mic. Otherwise, we'll start to get  
22           Twitter instructions, as we did yesterday,  
23           that people are evaluating our lunch choices  
24           and our side conversations.



1 Thank you. Please continue.

2 SENATOR KAPLAN: Thank you,  
3 Mr. Zemsky, for your opening remarks. And  
4 thank you for the work that you're doing with  
5 the Governor and also with us on behalf of  
6 New York residents.

7 You talked about Amazon being the  
8 first, the biggest economic development in  
9 New York. So I'm going to ask you what is  
10 the second biggest economic development  
11 that's happening in New York.

12 COMMISSIONER ZEMSKY: Well, let me  
13 talk about my own experiences over the last  
14 four years, because I've really dedicated so  
15 much of my time to economic development over  
16 four years and I've been all over the state.

17 So to put it in perspective -- and I  
18 appreciate the question -- the largest  
19 economic development project that ESD has  
20 worked on in the last four years, aside from  
21 Amazon, is a relatively recently announced  
22 deal with Regeneron. And that was 1500 life  
23 science jobs, including some manufacturing of  
24 life sciences, and primarily in the

1 mid-Hudson and up to the Capital District.

2 That's -- we've worked on many other  
3 economic development projects in the  
4 financial services industry, in Rochester  
5 with Paychex. Many times economic  
6 development is 50 jobs, 100 jobs, maybe  
7 600 jobs, as I recall Paychex was. Fifteen  
8 hundred is a very significant number.  
9 Twenty-five to 40,000 is an unprecedented  
10 number. But I would say the vast majority of  
11 what we do in economic development is, you  
12 know, much closer to a hundred than to 1500.

13 SENATOR KAPLAN: Okay. I don't mean  
14 to cut you, but my concern is Belmont. And I  
15 can tell you that that is a very big concern  
16 also for Long Island. I've met with a lot of  
17 stakeholders -- mayors, civic leaders,  
18 community leaders, religious leaders -- and I  
19 know that they have concerns about this  
20 project. So I'm trying to really get all my  
21 information before I can make a statement  
22 about this.

23 I do know that one of the big concerns  
24 is that union labor is providing job

1 opportunities, apprenticeship programs,  
2 internships for local residents. One of the  
3 biggest concerns is the realistic  
4 comprehensive public transportation plan that  
5 actually will work. Because as you know,  
6 it's a very congested area and without public  
7 transportation, this plan will not really  
8 succeed. And if you could elaborate on that.

9           And also some concrete plans to help  
10 the community, the community that's going to  
11 be affected by this, and what the developers  
12 and all the stakeholders are willing to do  
13 for the community. If you can elaborate a  
14 little bit on that, I would appreciate it.

15           COMMISSIONER ZEMSKY: Sure. And we  
16 have been actively involved with the  
17 community, and I very much appreciate you're  
18 bringing up this project. It's a very  
19 high-profile, very high-impact project for  
20 Long Island and for the region.

21           We've been involved with the DEIS and  
22 we've been involved with the public meetings.  
23 We're getting a lot of stakeholder comments.  
24 You know, the process by which we identify

1           what the environmental factors are, listening  
2           to the community, studying the environmental  
3           impacts and then ultimately, after reviewing  
4           all of those, offering mitigation to those  
5           environmental impacts.

6                        So we, of course, and our team, of  
7           course, is keenly aware of transportation  
8           concerns and congestion, and we have  
9           identified that. And I think, you know, rail  
10          transportation obviously is on everyone's  
11          mind. I think the team is taking a very  
12          close look at that. And so I would be -- you  
13          know, I think we should pay very close  
14          attention to opportunities to enhance,  
15          obviously, and I know the team is taking --  
16          and I know the administration and the  
17          developers -- in terms of helping to mitigate  
18          traffic through rail, potentially other forms  
19          of ridesharing or other forms of mass  
20          transit, including bus. I know that the  
21          developer is actively involved, I believe is  
22          committed to a prevailing wage project, is  
23          working with -- I know they're working with  
24          local labor, they're interested in hiring

1 local labor and hiring local workforce.

2 So, you know, I think from that  
3 standpoint the project will -- you know, I  
4 think this is going to be a good example of  
5 how we really engage with the community, do a  
6 very thorough job of soliciting input from  
7 all the stakeholders, study the impacts  
8 thoroughly, and then come back and offer  
9 really robust, very substantial and very  
10 impactful mitigation strategies and  
11 investments.

12 So I think it will -- and we  
13 appreciate the fact that there are local  
14 impacts. Sometimes projects have a very  
15 broad regional benefit but impact communities  
16 specifically. And so I think we all feel an  
17 obligation to mitigate those.

18 SENATOR KAPLAN: That's right. That's  
19 right. Thank you very much. So I already  
20 made those -- my concerns very clear, and I'm  
21 looking forward to working with you on behalf  
22 of all of the residents of District 7 on  
23 Belmont and also really residents of New York  
24 on all of the different economic developments

1 that we're doing throughout the state.

2 I would like to ask you a couple of  
3 questions about the high technology  
4 innovation and economic development  
5 infrastructure program. Can you talk a  
6 little bit about the process of application  
7 and awarding these grants? In terms of just  
8 making the application so that applications  
9 could be reviewed.

10 Are there set applications, people who  
11 are interested in tapping into some of these  
12 grants that are 325 million? It was a 25  
13 million increase from last year.

14 COMMISSIONER ZEMSKY: Okay. You're  
15 referring to some of these projects  
16 associated with SUNY Poly in Albany?

17 SENATOR KAPLAN: Yes. Yes. The one  
18 that Applied Materials got 125 million.

19 COMMISSIONER ZEMSKY: Yes. And then  
20 there will be some -- yes, Applied Materials  
21 obviously is creating hundreds of jobs.

22 And, you know, this was a great  
23 opportunity for us to pivot. As you know,  
24 ESD got involved with SUNY Poly projects

1           about two years ago. I think we have righted  
2           the ship on a myriad of projects at the time  
3           and now we're really starting to implement  
4           important go-forward strategic partnerships.  
5           And we're really helping to put SUNY Poly on  
6           better footing, better sustainable economic  
7           footing going forward.

8                     The investments that the state has  
9           made over time in the semiconductor industry  
10          in the Capital Region are significant. The  
11          impacts are significant. I have read 60,000  
12          jobs associated with the semiconductor  
13          high-tech industry in Albany. So having  
14          really the world's leading material science  
15          company join in the ecosystem of the  
16          semiconductor industry is important.

17                    There are going to be opportunities  
18          for researchers around -- throughout the  
19          SUNY system to participate. This is a change  
20          in previous models. So we have funding, and  
21          some of the funding will be available for  
22          researchers to apply to SUNY Poly to  
23          participate in potential funding of projects  
24          related to material sciences in Albany. And

1 that will also be true with IBM.

2 Applied Materials also is going to be  
3 investing at least \$20 million in upstate  
4 venture businesses connected to high  
5 technology. Amet Ventures is an accomplished  
6 technology venture capital fund, and having  
7 them in upstate New York where we have  
8 typically had kind of a dearth of venture  
9 capital was one of our primary objectives as  
10 well.

11 So by contacting SUNY, people can  
12 apply to potentially do research projects as  
13 part of applied materials companies. You  
14 know, we will be mining, and they will be,  
15 the whole upstate region for relevant venture  
16 funding and networking with all of the  
17 venture capital funds that we already work  
18 with. But they bring tremendous expertise  
19 and very specific skill sets and knowledge of  
20 material science. So we're excited about  
21 that. I think it's good for the  
22 sustainability of SUNY Poly, good for  
23 early-stage tech businesses upstate, and good  
24 for the kind of sustainability of that whole



1 enterprise.

2 SENATOR KAPLAN: Okay. I do have many  
3 more questions, but I'm running out of time  
4 so I'm going to give a chance for others to  
5 have their questions.

6 SENATOR KRUEGER: Thank you. We can  
7 always come to second rounds also.

8 SENATOR KAPLAN: Thank you.

9 CHAIRWOMAN KRUEGER: Thank you.  
10 Assembly.

11 CHAIRWOMAN WEINSTEIN: Since we  
12 started we've been joined by Assemblywoman  
13 Fahy and Assemblywoman Buttenschon, and we're  
14 going to go to our Economic Development Chair  
15 Robin Schimminger for questions.

16 SENATOR KRUEGER: And I'm going to  
17 quickly pop in, and Senator Antonacci has  
18 joined us as well.

19 CHAIRWOMAN WEINSTEIN: Robin.

20 ASSEMBLYMAN SCHIMMINGER: Thank you  
21 very much, Helene.

22 And it's nice to see Howard Zemsky  
23 here.

24 Look, for the last year, 2018, I've

1           been pursuing the Big 5. For me -- for me,  
2           the Big 5 were five pieces of legislation  
3           that dealt with accountability and  
4           transparency and economic development  
5           programs. I am sad to say that I was  
6           unsuccessful in bagging any of the Big 5.  
7           Okay?

8                     The REDC legislation that would have  
9           made them subject to the Public Officers Law,  
10          sponsored by Tommy Abinanti, not done. The  
11          comptroller's bill that was initiated by  
12          Comptroller DiNapoli, not done. Our bill to  
13          apply FOIL standards to these subsidiaries  
14          like Fort Schuyler and Fuller Road and now NY  
15          CREATES, not done. Enhancing the reporting  
16          and reinstating the reporting in the START-UP  
17          NY program, not done last year. Also not  
18          done last year was the database of deals  
19          legislation.

20                    But our Governor in his State of the  
21          State, slash, budget presentation enunciated  
22          that he is proposing a database of deals and  
23          providing \$500,000 for a database of deals.  
24          But -- but, but, but, but -- no statutory

1 language to create the database. So that the  
2 database could be nothing more than just a  
3 public relations page or series of pages.  
4 Some pictures, photographs. Hard to know.

5 We have legislation introduced in the  
6 Senate, the same as last year, which puts in  
7 place a codification of a database of deals  
8 so that it is a uniform, comprehensible,  
9 workable set of standards by which  
10 information can be inserted.

11 I wanted to ask you, based upon your  
12 many years of experience, what would you like  
13 to see a database of deals be? Would you  
14 like to see simply an authorization to ESDC  
15 to prepare such a database? Or, putting on  
16 your private-sector hat, wouldn't you like to  
17 see a standardized database of deals?

18 COMMISSIONER ZEMSKY: I -- you know, I  
19 feel like I bring a private sector hat to the  
20 table. I've been in business my whole life  
21 and I don't, you know, have any particular  
22 political agenda, so we're just trying to get  
23 good things done in economic development.  
24 That's always been my experience as well, you

1 know, working with the administration.

2 We provide -- you know, in my own  
3 businesses I can't imagine putting out as  
4 much reports as we put out. We put out --  
5 let me just say we're eager to do a database  
6 of deals that I assume is intended to  
7 streamline the process. Right? I mean, we  
8 have so much information that we put out,  
9 literally dozens of reports that we put out.  
10 And --

11 ASSEMBLYMAN SCHIMMINGER: It is  
12 intended to be standardized and  
13 comprehensible and workable. Yes, that's the  
14 goal.

15 COMMISSIONER ZEMSKY: And simplified.  
16 So I assume you want to see what is the cost  
17 of the project, what is the timeliness of the  
18 project, what is the impact of the project.

19 ASSEMBLYMAN SCHIMMINGER: In a  
20 standardized, comprehensive way that would be  
21 readily understandable for people and  
22 understandable for agencies as to what they  
23 should do.

24 That is embodied in legislation now

1 pending in both houses. And that would be  
2 the starting point, to have a standardized  
3 database of deals which everyone could  
4 understand and comprehend. Okay? Rather  
5 than a public relations report.

6 COMMISSIONER ZEMSKY: You know, the --  
7 we support so much different economic  
8 development projects, and the way we think  
9 about about economic development is pretty  
10 comprehensive. We think about vitality and  
11 revitalization. So, you know, how you might  
12 measure bringing Buffalo's waterfront back to  
13 life, I would say that's a key component of  
14 our economic development. And you might say,  
15 but how many jobs is it?

16 And so it isn't -- you know, there are  
17 different types of programs that have  
18 different intentions. And some outcomes are  
19 easier to measure. How many people did you  
20 employ? That's easier to measure. What was  
21 the economic impact of revitalizing the  
22 waterfront? That's probably a little more  
23 difficult to measure.

24 Film programs are kind of sporadic

1 hires. So we have a lot of hires, but  
2 they're not full-time jobs. They're jobs,  
3 but when the movie -- you know, then people  
4 go on to the next film job. So there's not a  
5 common metric there.

6 There are -- the way we do it economic  
7 development, we put out a lot of information  
8 on all these programs. We can, of course,  
9 simplify it, and I think that is the goal.  
10 It just should -- we should just recognize  
11 that workforce development, you know, those  
12 initiatives also have different  
13 measurements -- how many students  
14 graduated -- you know, there's just going to  
15 be different measurements that don't  
16 necessarily have a common denominator across  
17 them. So I just want to say that.

18 ASSEMBLYMAN SCHIMMINGER: Thank you.

19 I will follow up now on Senator  
20 Kaplan's first question. She asked what is  
21 the second biggest project you've ever been  
22 involved in. I thought your answer was going  
23 to be the RiverBend project in our home city  
24 of Buffalo. This is the project which was

1 part of the Buffalo Billion in which a  
2 company called Solar City came in, now Tesla  
3 is there, and the State of New York spent  
4 three-quarters of a billion dollars equipping  
5 and building a building for this  
6 private-sector company, turning over the keys  
7 to the company, charging them a dollar a year  
8 in rent, and they're now -- they're there  
9 now, employing some people.

10 The reports are that they are  
11 employing less than even the reports say that  
12 they're employing. I think soon we'll see a  
13 new set of numbers. But there's a target,  
14 and there's a penalty. Okay?

15 COMMISSIONER ZEMSKY: Yup.

16 ASSEMBLYMAN SCHIMMINGER: There's a  
17 target, I think it's 1460 jobs in April of  
18 next year.

19 COMMISSIONER ZEMSKY: Right.

20 ASSEMBLYMAN SCHIMMINGER: Otherwise,  
21 there's a \$42 million penalty.

22 COMMISSIONER ZEMSKY: Right.

23 ASSEMBLYMAN SCHIMMINGER: We're going  
24 to enforce that, aren't we? My question is,

1 will we and can you guarantee us, will you  
2 assure us that the State of New York will  
3 enforce that penalty if they're short on  
4 their jobs?

5 COMMISSIONER ZEMSKY: Yes.  
6 Absolutely.

7 And I want to add, as I think it's  
8 important, our goal should be to get to the  
9 point where we have the employment, not the  
10 penalties. So we would be way more excited  
11 to see the growth of the company and the  
12 employment in Buffalo than we would be to  
13 levy penalties. That's not the ultimate  
14 intention.

15 So working with Tesla, working with  
16 Panasonic on maybe, you know, diversifying  
17 their portfolio of products in that plant.  
18 As you know, Tesla is extremely focused on  
19 automobile production. And there are a  
20 number of solar products in addition to solar  
21 roof tiles which are, you know, still pretty  
22 much in the R&D stage that they can  
23 potentially produce in Buffalo.

24 So we're interested in employment. I



1 think we're fortunate that we have Tesla and  
2 we're fortunate we have Panasonic. You have  
3 two enormous companies now in Buffalo that  
4 weren't in Buffalo only a few years ago.  
5 That is the definition of opportunity. So  
6 we're working hard to mine that opportunity,  
7 and we're more interested in creating the  
8 jobs and mining the opportunity and working  
9 with both of those companies to expand and  
10 diversify their product lineup than we are in  
11 collecting penalties.

12 I just want to mention that because we  
13 have worked with Panasonic, we are working  
14 with Tesla, both of them trying to boost  
15 employment. There is over 700 employees  
16 working there. I understand Tesla is a bit  
17 more of an R&D effort. Panasonic has more of  
18 a traditional production. Their production  
19 and their sales are independent of Tesla,  
20 they don't depend on Tesla for their customer  
21 base.

22 So, you know, that was an example of  
23 how ESD worked to increase the number of  
24 companies and worked with Tesla. And we felt

1 at the time expanding and diversifying our --  
2 the number of companies that work in that  
3 facility would be to our ultimate advantage.  
4 Given that Tesla's R&D has taken longer on  
5 solar roof tiles, I think that proved to be  
6 the right decision. So we try to make good  
7 judgments along the way and we try to have a  
8 positive impact on the economy in Buffalo.  
9 That's our, you know, focus of that project.

10 ASSEMBLYMAN SCHIMMINGER: I too hope  
11 that we are not in a situation where the  
12 penalty must be imposed.

13 However, if past is prologue, the deal  
14 with the resident company there has changed  
15 six or seven times in the course of the  
16 history of that RiverBend project,  
17 liberalizing the requirements. So I was --  
18 I'm fearing there might be another change in  
19 the formulation or we might determine that  
20 there are some extenuating circumstances and  
21 we will not apply the penalty.

22 COMMISSIONER ZEMSKY: Yeah, again,  
23 I -- you know, I have not been involved in  
24 that RiverBend or Tesla from the inception.

1 ESD has been involved in it a couple of  
2 years, and we've done everything we can to  
3 really advance that project. And I think  
4 there are some people who were skeptical it  
5 was going to have 300 people, then they were  
6 skeptical it was going to have 400 people,  
7 then 500. We do have over 700 people between  
8 those two companies, and growing.

9 So continuing to grow that base and  
10 employment is going to be our highest  
11 priority. And I think, you know, the  
12 penalties are something that's in their mind.  
13 I think it helps potentially to drive some  
14 good decisions as it relates to expanding  
15 production. That's what we want to see. But  
16 there are decisions that have to be made,  
17 right? If they say, Well, we want you to  
18 consider production of something other than  
19 solar roof tiles or solar panels in our  
20 employment, we have to consider that and  
21 measure that: What do those jobs pay, what  
22 is the growth opportunity, is it part of our  
23 clean-energy mission for that project?

24 So, you know, it's a business. We're

1           trying to grow businesses, we're trying to  
2           work with businesses. We're mindful that  
3           it's a changing circumstance in business.  
4           These companies start out thinking they're  
5           going to do one thing; over time, things  
6           change. So we're trying to, you know, all  
7           get to the same positive outcome.

8                     ASSEMBLYMAN SCHIMMINGER: Thank you.

9                     CHAIRWOMAN KRUEGER: Thank you.

10                    CHAIRWOMAN WEINSTEIN: Since we  
11           started, Al Stirpe, our Small Business chair,  
12           has joined us.

13                    CHAIRWOMAN KRUEGER: Thank you. We've  
14           also been joined by Senator Phil Boyle.

15                    The next questioner is Senator Pam  
16           Helming, ranker on Economic Development.

17                    SENATOR HELMING: Good morning,  
18           Commissioner.

19                    COMMISSIONER ZEMSKY: Hi.

20                    (Mic difficulties.)

21                    SENATOR HELMING: Good morning,  
22           Commissioner. Thank you for your testimony.

23                    COMMISSIONER ZEMSKY: Good morning.

24                    SENATOR HELMING: At last year's

1 budget hearing we heard some talk about that  
2 New York State was within reach of meeting  
3 the broadband goals of the New NYS Broadband  
4 Program and that the remaining underserved  
5 community of 2 percent would be addressed.  
6 I'm wondering, can you tell me have we met  
7 that goal? Has the 2 percent underserved  
8 been addressed?

9 COMMISSIONER ZEMSKY: Has -- I'm  
10 sorry, can you repeat that?

11 SENATOR HELMING: So my district is  
12 very, very rural, and not a week goes by that  
13 I don't hear from someone who's concerned  
14 because they don't have access to high-speed  
15 internet or they're underserved. Can you  
16 tell me where we are with making sure that  
17 all New Yorkers have access to the service?

18 COMMISSIONER ZEMSKY: We have  
19 commitments now for 99.9 percent coverage  
20 across the state. When this program started,  
21 we had 30 percent did not have high-speed  
22 broadband. Not all the systems have been  
23 built out yet. Those that were awarded a  
24 couple of years ago have been built out.

1           There are -- in the last phase of  
2 broadband, we used Hughes' satellite service,  
3 which has got speeds now up to 25 megahertz  
4 and, you know, at a price point that is, I  
5 think, very affordable for most people. And  
6 I don't think it's been a hundred percent  
7 deployed, but that is in process. I'd be  
8 very surprised if by the end of 2019 people  
9 are not -- we don't have 99 percent coverage  
10 for people, maybe earlier than that.

11           You know, if we know exactly what the  
12 area is, we can give you a very specific  
13 expected service implementation date.

14           But we are really at the point now  
15 where the program has -- we have commitments  
16 for 99.9 percent coverage of high-speed.  
17 Some of that is satellite.

18           SENATOR HELMING: Okay. I don't want  
19 to interrupt, but I do want to mention that I  
20 have gone on the website to try to figure out  
21 in my district when service will be  
22 available, and it is so challenging to figure  
23 that out. So I will get to you my district  
24 information. It would be great to have a

1 response on when people can expect service.

2 As far as HughesNet, I've not heard  
3 all positive comments about the service and  
4 the rollout. And again, in some rural areas,  
5 that satellite service isn't the best. It  
6 doesn't always work. How are we evaluating  
7 HughesNet service for effectiveness? Is  
8 there any assessment that's being done?

9 COMMISSIONER ZEMSKY: Yeah, I will  
10 have our broadband team contact you and your  
11 office, and we can get you more specific  
12 answers as to exactly how we're testing the  
13 service and exactly when the implementation  
14 of the service is --

15 SENATOR HELMING: And what the plan is  
16 if it's found that HughesNet is ineffective.  
17 What is the plan to meet that 99 percent by  
18 the end of 2019?

19 COMMISSIONER ZEMSKY: Yeah. Okay.  
20 Yup. Okay.

21 SENATOR HELMING: Thank you.

22 I just want to turn for a moment to  
23 natural disasters. You're well aware, you've  
24 been out in my community many times -- Lake

1 Ontario flooding, you know, we've experienced  
2 Superstorm Sandy. And just this past August,  
3 we had incredible localized flooding in  
4 southern Seneca County, some of the Southern  
5 Tier Finger Lakes area.

6 In the past there's always been  
7 funding for small businesses -- grant  
8 programs, loan programs -- usually a maximum  
9 of \$50,000. For some reason with the  
10 localized flooding that we had this past  
11 August in southern Seneca County -- and like  
12 I said, it encompasses the Finger Lakes and  
13 the Southern Tier -- there is nothing that is  
14 available to help the small businesses.

15 Can you tell me why that is, why ESD  
16 is not offering grants or loan programs for  
17 these businesses?

18 COMMISSIONER ZEMSKY: Yeah. And the  
19 Ontario flooding, we did have -- there was  
20 some highly specialized funds that were made  
21 available.

22 SENATOR HELMING: Right. I'm well  
23 aware of that.

24 COMMISSIONER ZEMSKY: I think you're



1 familiar with that. I think we did that  
2 well. You know, I -- I don't recall if that  
3 was a budget item or an emergency.

4 SENATOR HELMING: We passed  
5 legislation and --

6 COMMISSIONER ZEMSKY: Yeah. So I  
7 don't know if we have legislation for what it  
8 is that you're referring to in terms of  
9 looking for. Maybe that's something that  
10 could come out of the budget discussion.

11 You know, we have a number of loan  
12 programs for small businesses. And some of  
13 the small businesses, I assume, could qualify  
14 for some of our more traditional ESD loan  
15 program.

16 SENATOR HELMING: Which I will be  
17 honest with you, I've been down that path  
18 with several of the small businesses in my  
19 district, and we've made no progress.

20 And again, I'll just go back to the  
21 state has been great in terms of providing  
22 assistance to homeowners, small farmers, but  
23 in this case for some reason we've left out  
24 small businesses, and we need to do something

1 to help them out.

2 SENATOR KRUEGER: Thank you.

3 Assembly.

4 CHAIRWOMAN WEINSTEIN: Assemblyman  
5 Barclay.

6 ASSEMBLYMAN BARCLAY: Thank you,  
7 Chairwoman.

8 Good morning, Commissioner. I have  
9 one kind of general theoretical question and  
10 then I have some more specific questions.

11 I represent Central New York. I hear  
12 a lot from particularly small business  
13 owners, but obviously large business owners  
14 too about the cost of doing business in  
15 New York State. New York, as you're well  
16 aware, we have some of the highest workers'  
17 comp costs, we have some of the highest  
18 energy costs, we have some of the highest  
19 healthcare costs, we have some of the highest  
20 taxes in the country.

21 The Citizens Budget Committee said  
22 that we spend approximately \$9 billion a year  
23 on economic development in New York State.  
24 Has your agency done anything or any kind of

1 study to decide is it worth spending all this  
2 \$9 billion on economic development? Maybe we  
3 could just lower the cost of doing business  
4 in a broad-based way instead of, you know,  
5 picking and choosing winners and losers.

6 COMMISSIONER ZEMSKY: Yeah, I'm not  
7 familiar with the report that you're citing  
8 or spending \$9 billion a year in economic  
9 development.

10 So I will say this. You know, it's  
11 important to -- and again, I just bring my  
12 own business background to the table and I  
13 share with you how I think sometimes we  
14 should think about these things. But there's  
15 what we sometimes categorize as a cost, and  
16 we focus on that. Then there's a benefit.  
17 Those are sort of part of the same equation.  
18 Right? What does it cost, what do you get.  
19 Those things have to be looked at  
20 simultaneously. You can't just take what  
21 does it cost and not ask what do you get.

22 And so what I can tell you is for our  
23 economic development programs, particularly  
24 those that relate to -- specifically to job

1 creation and investment, we have positive  
2 return on investment. And I think for a  
3 business, you're looking for positive return  
4 on investment. I think for taxpayers, you're  
5 looking for a positive return on investment.  
6 And there are a lot of projects that it's  
7 very easy to identify those.

8           You know, there's -- if I said to you  
9 downtown revitalization is part of the  
10 economic development portfolio, it's more  
11 difficult to identify exactly what your  
12 return is. If I said, going back to my  
13 conversation with Assemblyman Schimminger or  
14 Senator Kaplan, we're activating the  
15 waterfronts across New York State, we have to  
16 create places people want to be, we have to  
17 create places young people want to stay and  
18 be. That has been one of the most impactful  
19 things in Buffalo. Really, that city is so  
20 dramatically different than it was ten years  
21 ago.

22           And it's not a traditional economic  
23 development program, but it is such an  
24 integral part of developing the economy in

1 those regions.

2 So we just have to be mindful -- and I  
3 realize people come at these things with  
4 perspectives and they have biases, and we  
5 want to cast economic development in this  
6 light or we just want to pick on what it  
7 cost. We aren't doing anything without an  
8 intended outcome. And so I think you've got  
9 to think of not only --

10 ASSEMBLYMAN BARCLAY: I've got to  
11 interrupt you, because I only --

12 COMMISSIONER ZEMSKY: -- what does it  
13 cost but what do you get.

14 ASSEMBLYMAN BARCLAY: Yeah, I think  
15 that's a frustration maybe some of us have  
16 with the economic development, is the  
17 cost-benefit analysis. And it doesn't always  
18 seem clear that we're getting, you know, a  
19 benefit for the costs that we're paying. And  
20 whether it's \$9 billion or how much it is,  
21 it's obviously a significant amount that we  
22 pay in New York State. So we're just  
23 wondering about the benefit of that.

24 Just quickly going to Fort Schuyler

1 and Fuller Road, why did the state use those  
2 entities to conduct economic development in  
3 the past?

4 COMMISSIONER ZEMSKY: They were  
5 affiliated with SUNY Poly. They were formed  
6 years ago. I think they were intended --  
7 they're not-for-profit entities. They were  
8 intended to move more expeditiously, move  
9 more at the speed of business.

10 You know, we are in the process of --  
11 we have a gentleman with a lot of experience,  
12 formerly head of Global Foundries, Doug  
13 Grose, who's heading NY CREATES. We have  
14 really combined -- Doug is now the head of  
15 both Fort Schuyler and Fuller Road. We've  
16 put a lot of -- we made a lot of changes to  
17 the bylaws --

18 ASSEMBLYMAN BARCLAY: That was my  
19 question. So what's the difference between  
20 NY CREATES and what the -- you know,  
21 Fuller Road and Fort Schuyler? What are the  
22 changes, and how are they going to be more  
23 accountable?

24 COMMISSIONER ZEMSKY: Yeah. You know,

1           again, ESD got involved in these projects a  
2           couple of years ago. We didn't start Fuller  
3           Road, we didn't start Fort Schuyler, we  
4           didn't start SUNY Poly.

5                     ASSEMBLYMAN BARCLAY: Understood.

6                     COMMISSIONER ZEMSKY: We've come a  
7           long way righting the ship on those projects  
8           and then putting the entire enterprise on a  
9           better track. And we've had a good  
10          partnership with SUNY Poly, but NY CREATES is  
11          really a collaboration, from a governance and  
12          from a management standpoint, between ESD --  
13          which didn't use to be at the table -- the  
14          Research Foundation and SUNY Poly.

15                    And Doug, who has a real business  
16          background and is rooted in the semiconductor  
17          industry, is leading these Fort Schuyler,  
18          Fuller Road, SUNY Poly projects under the  
19          umbrella of NY CREATES. We have a technology  
20          advisory board, we have a very well respected  
21          industry head, we made changes to the bylaws,  
22          Open Meeting Laws, whistleblower, FOIL  
23          requests.

24                    You know, we've done a lot. Our

1 capital grants from these organizations go  
2 through and are approved by the State  
3 Comptroller's office. I don't think you've  
4 seen -- we have not had the kind of turmoil  
5 or trouble in recent years.

6 I'm extremely proud of the job that  
7 ESD -- Kevin, if he's still sitting behind  
8 me, and the entire team has done. We have  
9 applied ourselves -- I assure you, we have  
10 applied ourselves fully and brought every  
11 aspect of what ESD does to the table. Be it  
12 finance or legal or governance or business  
13 development or grants, we brought all the  
14 disciplines that we have to the table to  
15 really help this incredibly important part of  
16 the upstate economy. And we're proud of  
17 that. And I think -- I don't just think, I  
18 know that is in a dramatically better  
19 situation than when we got involved two years  
20 ago.

21 ASSEMBLYMAN BARCLAY: Thank you.

22 CHAIRWOMAN WEINSTEIN: Thank you.

23 Senate.

24 SENATOR KRUEGER: Thank you.



1 Senator John Liu.

2 SENATOR LIU: Thank you, Madam Chair.

3 And thanks for joining us,

4 Commissioner.

5 Earlier in your comments you mentioned  
6 the unprecedented 40,000 jobs potentially to  
7 be created in the Amazon deal. That is  
8 unprecedented. Congratulations, I think.  
9 What is also unprecedented is the \$3 billion  
10 price tag, \$3 billion of public money that  
11 those 40,000 jobs are essentially going to  
12 cost.

13 COMMISSIONER ZEMSKY: Right.

14 SENATOR LIU: So is it worth the  
15 money? I mean, you've heard a lot about it  
16 already, you've heard certainly from many of  
17 my colleagues in the Senate that \$3 billion  
18 is perhaps too high a price tag. How high  
19 can you go? Would it have been worth  
20 \$5 billion of subsidies to get 40,000 jobs?

21 COMMISSIONER ZEMSKY: Well, it was to  
22 New Jersey, it was to Maryland, it was to  
23 Louisiana, it was to a lot of places. So,  
24 you know, we --

1                   SENATOR LIU: What, you're saying  
2 New Jersey offered \$5 billion?

3                   COMMISSIONER ZEMSKY: Maryland offered  
4 \$8.5 billion. New Jersey, across river,  
5 offered \$7 billion. New York State, our  
6 state offered between 1.5 and 1.7 billion  
7 dollars. So we're getting \$27.5 billion of  
8 economic -- of taxes between the city and  
9 state over 25 years.

10                  SENATOR LIU: Well, my question is do  
11 you think it would have been worth \$5 billion  
12 to bring them to New York? Because even  
13 though you cite some states that may have  
14 offered more, the reality is that the  
15 Washington, D.C., area, apparently their  
16 subsidies are significantly less than we're  
17 offering. So it goes both ways.

18                  So my question is, would a \$5 billion  
19 price tag have been worth 40,000 jobs?

20                  COMMISSIONER ZEMSKY: Well, I -- I  
21 mean, I want to -- look, the economic impact  
22 is tremendous. Okay? So, you know, it's an  
23 extraordinary \$27.5 billion of tax revenue  
24 for the city and the state.

1 I think we should have done -- we  
2 should have gotten that deal for as little as  
3 we could have. But we had to get it. And  
4 I'd really like to talk about your question,  
5 which relates to what Virginia paid and what  
6 New York paid and was it good deal.

7 SENATOR LIU: And what the Washington,  
8 D.C., area paid.

9 COMMISSIONER ZEMSKY: Yeah. So, you  
10 know, let's talk about that a little bit.

11 SENATOR LIU: Briefly, please. I have  
12 a couple more follow-up questions.

13 COMMISSIONER ZEMSKY: I have 2 minutes  
14 and 20 seconds.

15 So Virginia is getting one-third the  
16 tax revenue of New York. I think, again,  
17 it's important -- you want to talk about an  
18 equation -- what do we give? We give them  
19 back the revenues that they bring. So this  
20 is an extremely important point. This is not  
21 money that is sitting in the state coffers.  
22 Amazon comes and brings what will amount to  
23 over \$3.75 billion of annual payroll, \$3.75  
24 billion of annual payroll. Nothing like it

1 in history. They're going to bring all these  
2 jobs -- first they bring the jobs, all the  
3 revenue that comes to the city and state from  
4 their being here in the jobs. Then we give  
5 them back -- we basically give them back a  
6 small percent of what they give us.

7 It is not money sitting in any account  
8 right now. It's important to note they are  
9 getting back a small, very small percent of  
10 what they are bringing to New York State.  
11 This is the ultimate economic development  
12 deal and opportunity. It is --

13 SENATOR LIU: The ultimate deal.  
14 Well, I mean, Commissioner, I want to  
15 congratulate you. Apparently you've done a  
16 pretty good job with Empire State  
17 Development. In your testimony you cited  
18 that since 2011 you've awarded \$6.1 billion,  
19 creating or retaining 230,000 jobs. That's a  
20 pretty decent record.

21 But in that same period of time, in  
22 your testimony it says more than 1 million  
23 jobs have been created. So it seems like the  
24 vast majority of jobs in the State of New

1 York are created with zero subsidies. In  
2 fact, a much higher return than nine to one.

3 So the question becomes how much do we  
4 have to shell out to create a job? Your  
5 unprecedented 40,000 jobs is costing a  
6 subsidy of almost \$80,000 a job. Isn't that  
7 also unprecedented?

8 COMMISSIONER ZEMSKY: No. It's  
9 costing us, if you want to put that way, 40  
10 to \$60,000, depending on 25 to 40,000 jobs.  
11 And they are bringing with them -- again,  
12 they are bringing with them the jobs and the  
13 revenue at an unprecedented rate. They bring  
14 the jobs and the revenue. We don't -- they  
15 don't get a tax credit until they have  
16 delivered the jobs and the revenue. They  
17 don't get any part of the grant until they  
18 have actually made the investment. The grant  
19 itself is also tied to --

20 SENATOR LIU: According to many  
21 reports, they are looking for an area as  
22 large as New York City or the Washington,  
23 D.C., metro area where they could attract  
24 enough talent. And so they probably would

1 have come here anyway, because where else in  
2 this country are they going to get that large  
3 a pool of skill?

4 And I will conclude by saying that  
5 many people believe that education is  
6 actually the best long-term investment. For  
7 \$3 billion, how much funding could you have  
8 added to CUNY and SUNY? How much of the  
9 foundational aid could we have given to the  
10 public schools in the State of New York?

11 So it's -- you know, and you keep  
12 citing the nine-to-one return. Again, the  
13 vast majority of the jobs that you've created  
14 in your testimony, more than 1 million in the  
15 same period where you've only subsidized  
16 230,000, most of them have received no  
17 subsidies whatsoever.

18 COMMISSIONER ZEMSKY: And I'm happy to  
19 talk about that, but it's really important  
20 for I think everyone to understand the amount  
21 of money -- that tax revenue for the city and  
22 the state is tens of billions of dollars, and  
23 you can use that money -- it's not for ESD to  
24 decide where that money goes, it's for the

1 government to decide where that money goes,  
2 the Legislature and the executive branch.  
3 You're going to have a lot of money for  
4 infrastructure, for healthcare, for  
5 education, for all the things that you would  
6 like to advance.

7 This project -- these private-sector  
8 jobs create exactly the kind of tax revenues  
9 you need to invest in all the things that  
10 you're interested in. That's the point. We  
11 want to diversify our --

12 CHAIRWOMAN KRUEGER: I'm sorry, I'm  
13 sorry --

14 SENATOR LIU: Once again, the 800,000  
15 jobs that required no subsidy, they also will  
16 generate the tax revenues.

17 COMMISSIONER ZEMSKY: And really our  
18 programs are only identified by tradable  
19 sectors of the economy, so we don't -- you  
20 know, Amazon is the ultimate tradable sector  
21 of the economy. They're doing business all  
22 over the world, but they have jobs here in  
23 New York. We don't subsidize supermarkets or  
24 retail or any number of things --

1                   SENATOR KRUEGER: Commissioner, I'm  
2 going to cut you off as I'm going to cut John  
3 Liu off --

4                   SENATOR LIU: Thank you, Madam Chair.

5                   CHAIRWOMAN KRUEGER: -- and we'll go  
6 to round two at some point. Thank you.

7                   CHAIRWOMAN WEINSTEIN: Thank you.

8                   We've been joined by Assemblyman  
9 Jones.

10                  And we're going to go now to  
11 Assemblyman Al Stirpe for questions.

12                  ASSEMBLYMAN STIRPE: Good morning,  
13 Commissioner. How you doing?

14                  First of all, I'd like to agree with  
15 you on some of the points you've made. I  
16 think some of the great investments that New  
17 York State has made in downtown  
18 revitalization, even tourism, the SUNY/CUNY  
19 2020 grants, all of those foundational  
20 investments are making, I think, a big  
21 difference in whether business wants to  
22 locate here or not. So anything you can do  
23 to keep that money flowing, or even increase  
24 it, would be much appreciated.



1           I'm just wondering, do you happen to  
2 know the percentage of small businesses that  
3 receive REDC funding? And I'll define it by  
4 saying, you know, 50 people or less in those  
5 businesses.

6           COMMISSIONER ZEMSKY: You know, REDC  
7 funding goes to a number of different types  
8 of programs across agencies. And again,  
9 we're focused on revitalization and workforce  
10 and a number of things. Most of it doesn't  
11 go to companies.

12           But most of the companies, of course,  
13 in New York -- and Pravina knows better than  
14 anyone -- are relatively small businesses. I  
15 think we define that under a hundred  
16 employees. And so the overwhelming majority  
17 would go, I believe, to smaller businesses,  
18 just generally speaking.

19           ASSEMBLYMAN STIRPE: Okay. Yeah, I  
20 was -- we were kicking it around just  
21 thinking that if we could somehow dedicate a  
22 certain percentage of the funding and assure  
23 that, you know, small business could really  
24 participate in some of these funding streams,

1           it would be helpful. And not, you know,  
2           start-up businesses or anything, but  
3           businesses that are have already been here in  
4           our communities for a long period of time,  
5           paying taxes and sticking it out here.

6                    COMMISSIONER ZEMSKY: Maybe I can  
7           segue, I don't know if this is appropriate.  
8           Could I invite Pravina to talk a little bit  
9           about how we help small businesses generally,  
10          some of the programs that we use?

11                   ASSEMBLYMAN STIRPE: Sure. Thank you.

12                   ESD EXEC. VP. RAGHAVAN: Thank you for  
13          that question. So just so you know, we have  
14          over 30 programs that we use to actually help  
15          small businesses that are existing today. A  
16          lot of people don't realize that we have 18  
17          financial assistance programs that come from  
18          either doing -- actually giving third parties  
19          smaller lenders' loans so that these  
20          businesses that you're talking about that  
21          have been around for a while can actually  
22          access capital. Because that's one of their  
23          number-one things we hear all the time is "I  
24          can't access capital, I can't meet my

1 payroll."

2 And we also have loan programs  
3 specifically to help them if they get a  
4 government contract, specifically to help  
5 them if they're expanding, even to do working  
6 capital, which most banks will not do today  
7 under \$250,000. Our average loan size is  
8 about \$43,000.

9 On top of that, we also have  
10 entrepreneurial development. Because if  
11 you've been in business for 10 years, you  
12 kind of think you know the road and then you  
13 find out, hey, I didn't realize this Twitter  
14 thing was going to take off, I don't know how  
15 to use it. We actually have free counseling  
16 and courses on that that people can take at  
17 their leisure online but also go in and meet  
18 a counselor -- and I always advise they're  
19 free, which is a great price tag -- and  
20 actually talk to someone.

21 So we provide a lot today to make sure  
22 that these companies are -- as Commissioner  
23 Zemsky said, 98 percent of them are small and  
24 most of the businesses we help traditionally

1 in ESD are 100 but actually are even  
2 microbusinesses, looking at the sub-50,  
3 sub-20, 20 people. Because they are the --  
4 what I call the brick and mortar, the  
5 cornerstone of every economy in every town,  
6 and that's what we do actually every day.  
7 And we focus on them particularly.

8 ASSEMBLYMAN STIRPE: Okay, thank you.

9 Commissioner, could you just catch me  
10 up on the status of the Utica nanotech  
11 project and where we're at?

12 COMMISSIONER ZEMSKY: Yeah, I mean we  
13 -- we obviously work with Danfoss in the  
14 Quad-C facility. So we're excited about that  
15 as part of the ecosystem.

16 And we have not replaced the project  
17 that -- I think you're referring to AMS, the  
18 Austrian company. But we have some -- we do  
19 continue to have active conversations with  
20 some of the largest chip companies in the  
21 world. It is on some of the largest chip  
22 companies in the world's radar screens in  
23 terms of Utica and the upstate ecosystem  
24 around semiconductors. But I don't have any

1 company to replace AMS yet, but we've talked  
2 to some companies that are much larger than  
3 AMS, so we're excited about it.

4 This is a very international industry.  
5 You know, some of the centers around the  
6 world that produce chips include Singapore,  
7 include China, include Europe. So we do  
8 complete internationally. And it is a  
9 remarkably capital-intensive industry. So  
10 these fabs -- and we have half a billion  
11 dollars, let's use a round number, on the  
12 table to help these companies to invest here.  
13 These fabs are several billion dollars,  
14 several billion dollars.

15 So we continue to talk to the  
16 industry. We network at industry trade shows  
17 for semiconductors. This industry is keenly  
18 aware of New York State's interest in growing  
19 the semiconductor industry in Utica. And,  
20 you know, we are doing the best that we can.  
21 I'm sorry I don't have a company --

22 ASSEMBLYMAN STIRPE: No. But as you  
23 talk to these companies, is there anything in  
24 particular that are barriers to them moving

1 here that they talk about?

2 COMMISSIONER ZEMSKY: Yes. It's not  
3 so much that it's a barrier that New York  
4 has. To some extent it's the challenge of  
5 starting an industry in a new city and having  
6 and developing the whole network of workforce  
7 and supply chain. And then they have to  
8 qualify these new fabs, which is extremely  
9 expensive.

10 So you're really building it from the  
11 ground up. And so that is -- so what I have  
12 seen oftentimes is a company will assess the  
13 options and oftentimes they will say, you  
14 know, I'm going to expand my facility where  
15 it is or I'm going to build a facility next  
16 to an existing facility and I'm going to take  
17 advantage of we have the management in place,  
18 we have the supply chain in place, we know  
19 all the workforce providers.

20 You know, there's an economy of scale  
21 that industry is sensitive to that makes  
22 landing in a new area more expensive. And so  
23 it's important that we have these kinds of  
24 incentives, because you really have to

1 mitigate additional cost that comes with  
2 that. And I think you just can intuitively  
3 appreciate how starting that whole ecosystem  
4 up like that is no small task.

5 ASSEMBLYMAN STIRPE: Thank you very  
6 much.

7 CHAIRWOMAN KRUEGER: Thank you.

8 Our next questioner is Senator Todd  
9 Kaminsky.

10 SENATOR KAMINSKY: Hi, Commissioner,  
11 how are you?

12 COMMISSIONER ZEMSKY: How are you?

13 SENATOR KAMINSKY: I just want to  
14 drill down on what Senator Kaplan was  
15 speaking about with Belmont a little bit  
16 earlier with respect to the public  
17 transportation.

18 It's my opinion and I think a number  
19 of other elected officials and community  
20 advocates that a full-time station there with  
21 east-west service is imperative. Right now  
22 the only service being offered, according to  
23 the EIS, one from Long Island, would have to  
24 go all the way west to Jamaica and back

1           again, and that it would only be two trains.  
2           And I really think we're asking for a traffic  
3           nightmare on the Cross-Island Parkway if  
4           that's the only public transportation  
5           available.

6                     Now, in the EIS it says we could try  
7           to change drivers' habits and let them know  
8           when they should be there. That seems like a  
9           fool's errand.

10                    And so I just want to make absolutely  
11           clear -- because when we've had this  
12           conversation publicly in the past, it's "we  
13           know, we know," but we're getting pretty down  
14           the road on this project and we really  
15           haven't seen any plans for that. And I just  
16           want to let you know how imperative I think  
17           it is to the project being a good, successful  
18           and frankly a fully developed one. Moving  
19           forward, I think it's a critical part of it.

20                    COMMISSIONER ZEMSKY: We hear you.  
21           And we've heard the community. It's been  
22           well represented by both yourself and Senator  
23           Kaplan. You could not, both of you, have  
24           made it more clear how important you feel



1 rail is. We hear that loud and clear. We  
2 hear that from the community. And so I would  
3 say stay tuned.

4 SENATOR KAMINSKY: Okay. I appreciate  
5 that. And I'll just make one point. You  
6 know, my conversations with the ownership of  
7 the group made clear that they want to invest  
8 in that project, or at least they realize  
9 they have to, which I think you've obviously  
10 been prompting those conversations as well.

11 My conversations with the railroad  
12 have been less fruitful, and obviously at  
13 some point they're going to have to be on the  
14 front lines of designing something that works  
15 within the existing system and helps get  
16 thousands of people to and from at peak  
17 hours. So I'd really ask that you get them  
18 involved. This is going to be a central  
19 project for them.

20 And I think, you know, having grown up  
21 on the Island as an Islanders fan and knowing  
22 what it meant to have lost them -- not just  
23 emotionally, but it says a lot about an area  
24 when your pro team leaves -- I think it would

1 be a great economic -- has the potential, but  
2 the community is petrified, and I think for  
3 good reason.

4 And I think one of the main things to  
5 be addressed, along with good union jobs,  
6 like we talked about before, and important  
7 other aspects with the community -- community  
8 centers, other really good things -- to me,  
9 the transportation is in the middle of that.  
10 And my conversations with the railroad have  
11 been less than hopeful in terms of them being  
12 in the loop, knowing what's going on, and  
13 putting pen to paper. So I'd ask you to push  
14 them as well.

15 COMMISSIONER ZEMSKY: Okay, I hear  
16 that.

17 I just want to say for the record I  
18 grew up on Long Island as well. I was an  
19 Islanders fan as well. Just saying.

20 SENATOR KAMINSKY: I won't tell the  
21 Sabres fans you currently live with.

22 (Laughter.)

23 SENATOR KAMINSKY: Thank you.

24 CHAIRWOMAN KRUEGER: Thank you.

1 Assembly.

2 CHAIRWOMAN WEINSTEIN: We've been  
3 joined a little while ago by Assemblyman Dan  
4 Stec.

5 And we go to Assemblywoman  
6 Buttenschon.

7 ASSEMBLYWOMAN BUTTENSCHON: Good  
8 morning, and thank you very much for being  
9 here, Commissioner.

10 I represent the Mohawk Valley, and I  
11 want to thank you for the partnerships that  
12 you've had with the Utica-Rome area. As you  
13 know, they've been vital to our area. And we  
14 face many of the economic challenges that you  
15 see statewide as well as there.

16 We need you to continue with that  
17 support, and we would appreciate if that  
18 would continue. You did mention the Nexus  
19 Center. And as you know, the managers of  
20 that state-of-the-art facility for a family  
21 sports center have proven success.

22 COMMISSIONER ZEMSKY: Yes.

23 ASSEMBLYWOMAN BUTTENSCHON: So to  
24 continue those conversations.

1           As you had stated earlier, vitality is  
2           a means of assessment, and that would  
3           sincerely prove vitality for our community.  
4           Jobs are very important, but to ensure that  
5           organizations and companies remain in our  
6           area, they need to have a quality of life  
7           that is supported, as in many comments that  
8           have been brought up by my colleagues  
9           earlier.

10           I also wanted to confirm that the  
11           state-of-the-art hospital project is still  
12           moving forward.

13           COMMISSIONER ZEMSKY: Yes. Yes, it  
14           is.

15           And we have spent also a lot of time  
16           with the ownership of the Comets, and the  
17           mayor and the county executive, and we're big  
18           proponents of the impact that that project  
19           could have in terms of youth sports tourism,  
20           professional sports tourism. That's  
21           investing in good, proven leadership and  
22           management that I think they represent. So  
23           those are two high-priority projects for  
24           Utica, both the hospital and the Comets.

1 And, you know, we understand that.

2 ASSEMBLYWOMAN BUTTENSCHON: And also  
3 my colleague Stirpe discussed the nanocenter,  
4 and you said that it was an eco process  
5 that's moving. Can you tell me how you're  
6 assisting in that eco process for those  
7 companies coming?

8 COMMISSIONER ZEMSKY: Yeah. So, you  
9 know, we have the local colleges and  
10 universities there. And the campus in Utica,  
11 obviously, is focused on that industry. And  
12 we work with Danfoss, for example, who's  
13 hiring similar -- looking for similar type of  
14 workers.

15 The ramping up to the point where, you  
16 know, you need to provide the labor force for  
17 as many people, maybe thousands of people, is  
18 something that we would really begin in  
19 earnest when we had a commitment, because it  
20 would take years to build a facility like  
21 that. So we're not actively trying to put in  
22 place at the moment the ecosystem for  
23 thousands of people like that.

24 But we are actively working with

1 Danfoss. And, you know, you don't yet have  
2 the full supply chain, but you're close  
3 enough to Albany to -- which is I think one  
4 of the reasons why it can work, it's  
5 proximate enough to Albany for the supply  
6 chain. It's proximate enough to larger  
7 cities for workforce.

8 So there is a mobile workforce, and  
9 there is a mobile supply chain, and I think  
10 that helps to mitigate the circumstance.

11 ASSEMBLYWOMAN BUTTENSCHON: I guess my  
12 question is more, is there anything specific  
13 that you're working on to ensure that that  
14 can progress forward?

15 As you know, community members  
16 probably ask me daily --

17 COMMISSIONER ZEMSKY: Well, we promote  
18 Utica and we really promote the great -- what  
19 we describe as the greater Utica area. And  
20 in that we capture a broad workforce and a  
21 broad supply chain. And so we capture the  
22 contiguous workforce and supply chain because  
23 what we really want to do is land the  
24 company, first and foremost. So we have a

1 lot of information I could show you that  
2 really puts Utica in a great light for being  
3 able to provide workers.

4 ASSEMBLYWOMAN BUTTENSCHON: In light  
5 of our time, I sincerely appreciate it. I  
6 just want to reconfirm. Some of the other  
7 comments that I hear from the constituents is  
8 the importance of transparency, looking at  
9 the small business support, as well as SUNY  
10 Poly, education and tourism.

11 So thank you very much for your time  
12 today.

13 COMMISSIONER ZEMSKY: Thank you.

14 CHAIRWOMAN WEINSTEIN: Thank you.

15 Senate?

16 CHAIRWOMAN KRUEGER: Thank you.

17 Senator Jim Seward.

18 SENATOR SEWARD: Good morning,  
19 Mr. Zemsky. It's good to see you again.

20 I wanted to briefly return to the  
21 discussion you had with Senator Helming on  
22 the broadband in some of the rural upstate  
23 areas.

24 And I would -- you know, it's

1 encouraging to hear you expect 99 percent by  
2 the end of 2019, but I would just caution you  
3 that in many of the rural parts of my  
4 district where Spectrum or Charter was  
5 supposed to be providing service -- as you  
6 know, notoriously slow in carrying out that  
7 obligation. And also I hear many problems  
8 with the HughesNet satellite service as being  
9 unreliable. And I just don't want to have a  
10 digital divide, as it's called, between some  
11 of the rural areas and other parts of our  
12 state.

13 Don't you think it would be wise for  
14 us to invest more money, as we did with the  
15 broadband program through the Broadband  
16 Office that had helped to supplement other  
17 vendors who can provide those services in the  
18 rural areas? There's nothing in the budget  
19 that would re-up more broadband money  
20 specifically, but don't you think that would  
21 be needed to really finish the job in the  
22 rural areas?

23 COMMISSIONER ZEMSKY: I mean, I  
24 believe that we feel that, you know, the



1 HughesNet service has been improved, the  
2 speeds have recently been improved, there's a  
3 next-generation and iteration, as there often  
4 is with this technology. So I think we have  
5 to -- you know, this is the second time this  
6 morning that this issue of reliability has  
7 come up. So, you know, I appreciate the  
8 patience that we can go back and take a look  
9 at what those issues are and how sporadic  
10 they are or how widespread they are, and I  
11 think we'd have to understand that.

12 But we've gone from 30 percent without  
13 coverage to 1/10th of 1 percent. And so  
14 we've come a long way. We've brought a lot  
15 of state resources to the table. We've also  
16 brought some federal resources to the table.  
17 We've brought some resources from Charter,  
18 which will hopefully get resolved. We've  
19 brought a lot of resources to the table, a  
20 lot of private-sector investment also. We've  
21 come a very long way. It's obviously  
22 imperfect, because I've now heard two  
23 comments about it. But we have to keep  
24 digging at that --

1                   SENATOR SEWARD: I'm just reporting  
2 what I hear from my constituents.

3                   COMMISSIONER ZEMSKY: Yeah, no, and I  
4 appreciate it. So --

5                   SENATOR SEWARD: I wanted to shift  
6 gears for a moment to I was glad to see in  
7 the Executive proposal, and you mentioned it  
8 in your testimony, an appropriation for a  
9 searchable database for economic development  
10 deals. But I was disappointed that there's  
11 no Article VII proposal that would actually  
12 be the implementing plan for the use of that  
13 money.

14                   Now, last year in our Senate-only  
15 budget we did include the database of deals.  
16 And so my question is, why was there no  
17 corresponding Article VII? And how does ESDC  
18 intend to utilize the funds for a searchable  
19 database?

20                   COMMISSIONER ZEMSKY: Yeah, and you  
21 know, for better or worse, you've got a  
22 business guy who heads ESD, and I can  
23 embarrass myself every once in a while by  
24 saying I'm not exactly sure what an

1 Article VII is.

2 SENATOR SEWARD: Well, it's the  
3 implementing language that would spell out  
4 exactly what the policy and the program would  
5 be.

6 COMMISSIONER ZEMSKY: Okay. Are you  
7 referring to our --

8 SENATOR SEWARD: That's why I'm asking  
9 you if you would like to share it verbally  
10 with us.

11 COMMISSIONER ZEMSKY: Okay, you're  
12 talking about -- well, you know, it's -- if  
13 you're asking are we putting together what  
14 the searchable database would be, you know,  
15 what it would ultimately look like, I think  
16 we've described it to some extent earlier,  
17 not in great detail. But we are dedicating a  
18 lot of resources, we're going to be upgrading  
19 our equipment, we're going to be dedicating  
20 more human resources to it. These things are  
21 very time-consuming.

22 We have an enormous amount of  
23 information that's available currently. I  
24 think the process of taking that and making

1           it more user-friendly or streamlining the  
2           information is kind of what -- part of what  
3           we hear. But I'm not going to be able to lay  
4           out exactly every single element of what a  
5           searchable database is right now. We're just  
6           getting started down the road of really, you  
7           know, hiring the people, the technology and  
8           putting it together.

9                     I'm confident we'll have a searchable  
10           database you're proud of and we're proud of.  
11           We'd like to do it right. We've heard about  
12           this for a long time. You know, we put out  
13           an enormous amount of information. I want to  
14           say this. I'm hopeful that we can streamline  
15           the number of reports that we put out. If we  
16           put out a searchable database, hopefully we  
17           can maybe not put out 22 other reports. I  
18           have -- I'm not really looking to head an  
19           organization that has an army of people  
20           putting out reports that, you know, not many  
21           folks read.

22                     SENATOR SEWARD: Thank you. We'll  
23           look forward to developments along that line  
24           in terms of the searchable database.

1 CHAIRWOMAN KRUEGER: Assembly.

2 CHAIRWOMAN WEINSTEIN: We've been  
3 joined by Assemblyman Friend, and we go to  
4 Assemblyman Smullen.

5 ASSEMBLYMAN SMULLEN: Good morning,  
6 Commissioner. Good to see you this morning.  
7 Thank you for coming.

8 The Governor is proposing to extend  
9 the Minority and Women-owned Business  
10 Enterprise program for another five years,  
11 from the end of December of this year to  
12 2024, and incorporate some various reforms  
13 into that program from the 2016 diversity  
14 study.

15 So I wanted to ask you, what reforms  
16 is the Governor proposing to streamline the  
17 program to make it more efficient, to speed  
18 up the number of application approvals, and  
19 increase the number of certified MWBEs,  
20 particularly in upstate?

21 COMMISSIONER ZEMSKY: Yeah, we have  
22 really a wonderful head, Valerie White, who's  
23 doing a great job for us as head of the MWBE  
24 program.

1           And we have been streamlining the  
2 process. We're actively looking to -- you  
3 know, we're taking a close look at exactly  
4 how much information we need. We are  
5 reducing the backlog. We've made the  
6 certification process faster from the time  
7 that you get us all the information we need  
8 to the time we have an answer.

9           You know, we've been certifying a  
10 thousand MWBEs a year. We have the most  
11 aggressive program in the country. We are  
12 trying to streamline that process quite a  
13 bit. I think we're making good progress.  
14 We've brought some of the backlogs down by  
15 almost 50 percent. We're hiring more staff.  
16 We're, you know, using technology, we're  
17 sharing information with other authorities,  
18 with the city. We have more common  
19 application, we have more online application.

20           You know, it's a process of continuous  
21 improvement, and we've worked hard to  
22 streamline it. At the same time, we're out  
23 recruiting actively for more MWBE firms to  
24 apply for certification. So success with

1           this program begets success. And, you know,  
2           we're making good progress --

3                     ASSEMBLYMAN SMULLEN: I think that's  
4           very important because in the Governor's  
5           proposal is to perhaps extend it to include  
6           counties, cities, towns and villages. And  
7           myself, prior to coming to the Assembly, I'd  
8           run a New York State public benefit  
9           corporation, and the process was not as  
10          efficient as it could be.

11                    And what the worry is is that the  
12          rural upstate counties, in order to meet this  
13          goal, which I think we hit about 28 percent  
14          of a 30 percent goal, which is very laudable.  
15          But it's very hard to do sometimes in the  
16          upstate economies. And the worry that I have  
17          is that local firms are being hindered in  
18          their ability to compete for now what will be  
19          local businesses. Can you tell us how we're  
20          going to address that going forward?

21                    COMMISSIONER ZEMSKY: I think we're  
22          going to -- you know, it won't be a  
23          one-size-fits-all approach. So I think we  
24          really have to understand what the service is

1 and what the region is and what the  
2 demographics are and what the available MWBE  
3 resources are.

4 ASSEMBLYMAN SMULLEN: So you would  
5 actually favor a regional approach, then, to  
6 the application of the MWBE program to  
7 reflect the actual demographics in the areas  
8 that are actually providing the dollars for  
9 the local projects?

10 COMMISSIONER ZEMSKY: Yeah, we are  
11 very mindful of the fact that there are some  
12 regional differences, yeah.

13 ASSEMBLYMAN SMULLEN: Good. Thank you  
14 very much. I appreciate that.

15 CHAIRWOMAN KRUEGER: Thank you.

16 Senator Diane Savino.

17 SENATOR SAVINO: Thank you, Senator  
18 Krueger.

19 Good morning, Commissioner.

20 I want to talk about the High-Tech  
21 Innovation and Economic Development  
22 Infrastructure program. As you know, in last  
23 year's enacted budget there was a  
24 \$300 million program, and in this year's



1 proposed budget there's an additional  
2 \$325 million for it.

3 Could you speak a bit about the  
4 application process, how it's been allocated,  
5 and what we see for the future of the  
6 program, why we think it's going to be  
7 utilized? And also if you could talk a bit  
8 about the Artificial Intelligence Hardware  
9 Lab at IBM SUNY Poly Tech.

10 COMMISSIONER ZEMSKY: These are all  
11 connected to the SUNY Poly and the ecosystem  
12 in the Capital District. We started talking  
13 earlier about Applied Materials and IBM.  
14 They're -- the chips for artificial  
15 intelligence are different, the design, the  
16 architecture's different, the production is  
17 different. IBM is one of the leaders in  
18 artificial intelligence. Artificial  
19 intelligence, in turn, is one of the  
20 fastest-growing segments of the economy.

21 So for us, we think this is a huge  
22 win. We think this positions SUNY Poly and  
23 the entire operation with IBM. There's 600  
24 existing jobs. With IBM, there's over a

1 thousand people at SUNY Poly affiliated with  
2 the jobs at IBM. They're going to be adding  
3 many hundreds of jobs, investing billions of  
4 dollars.

5 This really cements, from my  
6 standpoint, Albany and the Capital District's  
7 place in the next generation of information  
8 technology, chips and architecture for these  
9 chips. So -- but IBM will literally be  
10 designing, producing AI chips up in SUNY  
11 Poly.

12 So it's great you're all familiar with  
13 IBM, with Watson. They really anchor our  
14 upstate ecosystem. And it's a fabulous  
15 company. It's an East Coast, New York-based  
16 company. You have -- a lot of the tech world  
17 is headquartered on the West Coast; it's  
18 great to have IBM headquartered on the East  
19 Coast. They've been phenomenal partners in  
20 this, and they are deeply committed to New  
21 York. And it's great to have them. And I  
22 want to recognize the incredible work that  
23 they do and how important they are to the  
24 upstate economy.

1           SENATOR SAVINO: No doubt. In spite  
2 of the dryness of your delivery, it's very  
3 exciting.

4           (Laughter.)

5           COMMISSIONER ZEMSKY: What's that?

6           SENATOR SAVINO: I said in spite of  
7 the dryness of your delivery. You're very  
8 monotone.

9           But it is very exciting. You're  
10 right, the future of artificial intelligence  
11 is going to be incredibly impactful on the  
12 economy and on the workforce.

13           I want to go back to the issue of  
14 Amazon, though. I mean, I'm one of the  
15 people that is somewhat excited about the  
16 idea of Amazon coming to New York. I think  
17 it's going to produce far more revenue than  
18 the state is going to expend on it in the  
19 initial outset.

20           So can you explain again -- we're not  
21 actually giving them anything, they have to  
22 produce something to get it back, is that the  
23 case?

24           COMMISSIONER ZEMSKY: Yeah, very much

1           so. So -- and the entire program with IBM is  
2           pay for performance. Excelsior tax credits,  
3           you don't get the tax credit until you've  
4           performed, you've met all your goals, you've  
5           -- the employment, the payroll. So same for  
6           us with the capital grant, you don't get it  
7           until you've actually made all the  
8           investment.

9                     There's no \$3 billion fund in the  
10           state right now that Amazon's tapping into.  
11           They're bringing the jobs, they're bringing  
12           the payroll. Those jobs and payroll bring  
13           revenues to the state. They get back a small  
14           percentage of those revenues. It is an  
15           enormous, unprecedented net positive revenue  
16           for the state -- unprecedented positive net  
17           revenue for the state. It's indescribably,  
18           indescribably large. The largest deal I've  
19           had the opportunity to work on over the last  
20           four years is 1500 Regeneron jobs. This is  
21           25 to 40,000 Amazon jobs that pay over  
22           \$150,000. That's going to be 3.75 to \$6  
23           billion in annual payroll, annual payroll.  
24           There is nothing that we can equate this to

1 in the history of the state. It's the  
2 largest economic development prize we have  
3 ever had.

4 And we were the long shot going in.  
5 We were on exactly nobody's short list of  
6 potential winners. There are obstacles we've  
7 had to overcome, including having the  
8 highest-priced land, having the highest costs  
9 of construction. Virginia is getting  
10 one-third of the tax revenue from their deal  
11 that New York is. We're getting over 10  
12 billion to their 3 billion. This is an  
13 incredible home run for New York State.

14 And I really hope -- and I -- again, I  
15 don't -- I'm a business guy, I don't unders  
16 -- politics is indecipherable to me. But as  
17 a businessperson, this Amazon deal is  
18 profoundly positive.

19 SENATOR SAVINO: Well, according to a  
20 Siena Poll that was just released,  
21 New Yorkers agree with you on this.

22 Thank you.

23 CHAIRWOMAN KRUEGER: Assembly.

24 CHAIRWOMAN WEINSTEIN: We've been

1 joined by Assemblywoman Bichotte.

2 And to Assemblywoman Cruz for  
3 questions.

4 ASSEMBLYWOMAN CRUZ: Good afternoon, I  
5 believe now -- oh, no, still morning, look at  
6 that. Good morning, Commissioner.

7 So I want to go back a little bit to  
8 the Amazon deal. I represent Jackson  
9 Heights, Corona and Elmhurst, who are going  
10 to be negatively impacted, by all accounts,  
11 with the number of folks who are going to be  
12 coming into our neighboring district. We are  
13 already an overcrowded community, and there's  
14 a lot of fear that this could create even  
15 more overcrowding in our particular district.

16 You know, one of the things that often  
17 happens in government -- I myself worked in  
18 government -- is that we will make deals, we  
19 will create this seemingly fantastic projects  
20 without consulting the community. And then  
21 when the community is at our door protesting,  
22 we wonder why that happens. And so it's the  
23 feeling in Queens, it's the feeling in the  
24 neighboring district, and in mine, that there

1 was a lack of transparency in this particular  
2 deal.

3 So when you tell us that Amazon's not  
4 going to get the tax breaks, Amazon's not  
5 going to get these billions and billions of  
6 dollars until they meet the requirements, how  
7 are we going to know? How are we as a  
8 community, as legislators, going to know that  
9 they've actually met their requirements? Is  
10 there going to be actual transparency --  
11 which didn't occur during the process of the  
12 deal -- for us to be able to see that they've  
13 actually met the requirements?

14 COMMISSIONER ZEMSKY: Yeah, and so you  
15 -- in order to get -- for example, the  
16 overwhelming majority of the tax credits are  
17 Excelsior tax credits, which we use all the  
18 time, which we use Department of Labor  
19 information, Department of Tax and Finance  
20 information. This is really our standard  
21 toolbox of economic development. There's  
22 nothing -- you know, we're not trying to do  
23 anything particularly fancy here. This is a  
24 staggered, well-honed product and procedure

1 that the state uses.

2 So you simply do not get the tax  
3 credit if you have not proven to Tax and  
4 Finance and Labor that you have met your  
5 commitments. It's that simple. With respect  
6 to the grant dollars, even those have  
7 clawbacks. But clearly you don't get the  
8 grant until you have actually invested the  
9 capital. It's very easy for us, these are  
10 tangible buildings with invoices and  
11 construction costs. It's very easy for us to  
12 be able to verify that you've made the  
13 investment in the buildings.

14 And it's also, frankly, easy for us to  
15 verify that you have in fact employed people.  
16 You know, there's a lot of documentation that  
17 goes around with employment, as you know.

18 So working with sister agencies in the  
19 state, we are extremely confident that we  
20 have accurate information.

21 ASSEMBLYWOMAN CRUZ: So I have been  
22 very public about my opposition to this  
23 particular deal because of the lack of  
24 transparency. And as I ask the question, as



1 a lawyer, as a legislator, and as a former  
2 state employee, I still don't understand how  
3 I'm going to explain to my constituents where  
4 to find these -- this information. How are  
5 we going to show to the regular everyday  
6 person that doesn't work in government or  
7 understand how the process works, here is how  
8 they've met the requirements?

9 Because if this deal ends up going  
10 through, how are we going to prove to them  
11 that even though we didn't listen to them in  
12 the process, we're now going to show them  
13 some sort of transparency? It's still not  
14 clear to me.

15 COMMISSIONER ZEMSKY: Yeah, and I'm  
16 confident that we can develop -- because we  
17 will clearly have all the substantiation,  
18 without having to share people's private  
19 financial information -- and there's  
20 obviously a balance between privacy and  
21 public information.

22 But I am confident that -- of course  
23 there's no formal agreement. We have an MOU,  
24 which is public. We have an impact study,

1           which is public. We -- you know, I'm very  
2           confident that we can get you comfortable in  
3           time, that the State of New York, where  
4           you're a legislator, and its agencies can get  
5           everyone comfortable that they are in fact  
6           performing appropriately and getting  
7           compensated appropriately per the agreement  
8           and that they will have done what they said  
9           they were going to do.

10                    That was a huge priority in this deal.  
11           You can see it clearly spelled out in the  
12           MOU. This is -- again, I want to say this --  
13           an unprecedented opportunity. I understand  
14           and appreciate and respect the concern, but  
15           we should find a way, if possible, to embrace  
16           the opportunity.

17                    ASSEMBLYWOMAN CRUZ: I don't mean to  
18           cut you off, but I see that I have 10  
19           seconds. I would like to know, even though  
20           it's an MOU, there's no -- it's not a legally  
21           enforceable document. How is the state,  
22           other than saying you're here now, you don't  
23           get your tax break -- how are we going to  
24           make sure that if they don't comply, that we

1 actually make them comply?

2 COMMISSIONER ZEMSKY: Yeah, because it  
3 will be -- all of those clawbacks, it will be  
4 in the legally enforceable document, in those  
5 --

6 ASSEMBLYWOMAN CRUZ: In the  
7 finalized -- whatever deal that comes out.

8 COMMISSIONER ZEMSKY: Correct.

9 ASSEMBLYWOMAN CRUZ: And is there  
10 going to be transparency in that final  
11 document?

12 COMMISSIONER ZEMSKY: Yeah, it will  
13 be.

14 ASSEMBLYWOMAN CRUZ: Thank you.

15 CHAIRWOMAN WEINSTEIN: Thank you.  
16 Senate.

17 CHAIRWOMAN KRUEGER: Senator Kevin  
18 Thomas.

19 SENATOR THOMAS: Hello.

20 COMMISSIONER ZEMSKY: Hi.

21 SENATOR THOMAS: Thank you,  
22 Mr. Zemsky, for coming to the hearing. My  
23 questions also deal with Amazon.

24 So I am a Senator from Long Island,

1 District 6, home of the Nassau Hub. You've  
2 talked a lot about how this is the biggest  
3 deal, this will bring in a lot of revenue.  
4 Can you explain to me how this will benefit  
5 Long Island?

6 COMMISSIONER ZEMSKY: You know,  
7 New York City's economy is the largest  
8 economy in the state. There's a lot of folks  
9 on Long Island who work in New York City.  
10 There's a lot of folks in New York City who  
11 spend time, have friends, family, live,  
12 vacation in Long Island. I think it's no  
13 coincidence the Long Island economy is  
14 robust. The Hudson economy is robust. New  
15 York City's economy is robust. These all  
16 work synergistically.

17 And I think when you have that  
18 dramatic increase in employment and people,  
19 you know, that rising tide is good for all  
20 the -- particularly good -- I think it's  
21 frankly good for the entire state. I think  
22 it's an important project for the state's  
23 balance sheet. And having a company like  
24 Amazon could potentially partner with a lot

1 of regions of the state in research and many  
2 other ways. But the closer you are to that,  
3 and the closer Amazon is -- and as close as  
4 Amazon would be to Long Island, I think it  
5 has tremendous impact.

6 SENATOR THOMAS: Okay. My  
7 second question deals with this figure that  
8 you've talked about, \$27.5 billion that this  
9 deal is supposed to generate. Can you  
10 explain to me how the state is going to get  
11 that \$27.5 billion?

12 COMMISSIONER ZEMSKY: Well, it gets it  
13 through its tax revenue of all forms, direct  
14 employment and indirect employment.

15 SENATOR THOMAS: And how did you get  
16 to that number?

17 COMMISSIONER ZEMSKY: We --

18 SENATOR THOMAS: Are you guesstimating  
19 at this point?

20 COMMISSIONER ZEMSKY: Yeah, we  
21 commissioned REMI, we did an independent  
22 study with a company that is really the gold  
23 standard, I would say, of economic  
24 development. We have a lot of substantiating

1 information, and the economic development of  
2 this project is unimaginable. So we know  
3 from payroll and from New York City taxes and  
4 New York State taxes, you know, we know what  
5 the potential revenue is and we know what the  
6 impacts are.

7 SENATOR THOMAS: And this report, the  
8 company which created it, is it available to  
9 the public so we can look at it?

10 COMMISSIONER ZEMSKY: Yeah, REMI, it's  
11 a very thorough analysis, particularly done  
12 from the state's perspective on the economic  
13 impact of this project. And it's -- I think  
14 you'll be impressed.

15 SENATOR THOMAS: Okay, I'll talk to  
16 you about that later on.

17 The next question deals with the  
18 number of jobs. Again, I'm assuming this is  
19 what the report generated, this is the amount  
20 of jobs that would be created. Or is this  
21 something that Amazon has put into stone  
22 saying yes, we're going to create between  
23 25,000 and 40,000 jobs at this salary rate?

24 COMMISSIONER ZEMSKY: Yes, that is the



1 about those safeguards. Right? So when this  
2 MOU transfers over to a legal contract, now  
3 what are the enforcement terms? Will there  
4 be a lawsuit filed if they don't meet the  
5 jobs numbers? Will we withhold the  
6 incentives?

7 COMMISSIONER ZEMSKY: Yes. You  
8 withhold -- because you can't get the tax  
9 revenue --

10 SENATOR THOMAS: Is there any  
11 discretion? Like for example if they create  
12 30,000 jobs -- they don't hit the 40,000 but  
13 they create 30,000, will you still give them  
14 like the \$3 billion in incentives?

15 COMMISSIONER ZEMSKY: The MOU, there's  
16 a -- they have to achieve the jobs and the  
17 payroll in order to get the incentive. Now,  
18 we have --

19 SENATOR THOMAS: Is there any  
20 discretion? Like for example if they get  
21 close, will you still give that incentive  
22 over to them?

23 COMMISSIONER ZEMSKY: Yeah, there's a  
24 -- they can get a -- if they get really



1 close, they can often get a proportional  
2 amount. So, you know, it's not -- it's  
3 proportional, generally. So that is how  
4 those things are typically -- traditionally  
5 written.

6 SENATOR THOMAS: All right. Thank you  
7 so much.

8 CHAIRWOMAN KRUEGER: Assembly?

9 CHAIRWOMAN WEINSTEIN: Assemblyman  
10 Jones.

11 And we also were joined by Rodneyse  
12 Bichotte earlier.

13 Assemblyman Jones.

14 ASSEMBLYMAN JONES: Commissioner,  
15 thank you for being here.

16 I'm going to get back into broadband a  
17 little bit, and excuse me if some of these  
18 questions have been answered. It's a huge  
19 concern in my district. We all know about  
20 the Governor's announcement, implement  
21 broadband by 2019 and have full coverage.  
22 And my colleagues from the Senate have  
23 brought this up, where are we at with  
24 percentage of coverage for the state? I've

1 heard 95, 98 --

2 COMMISSIONER ZEMSKY: Yeah, the  
3 commitments -- it hasn't all been built out,  
4 but the commitments, we have commitments that  
5 cover 99.9 percent.

6 ASSEMBLYMAN JONES: Okay. I'm from  
7 the North Country, so I hope that .1 percent  
8 isn't in my district.

9 But the initial investment was a  
10 billion dollars three or four years ago, 500  
11 million from the state, 500 million from  
12 investment, private investment. Where are we  
13 at with expenditures there? Where are we at  
14 with actually -- how much have we spent of  
15 state money and how much of the investment  
16 from private companies?

17 COMMISSIONER ZEMSKY: I think it's  
18 actually been higher private sector now,  
19 particularly with the deals that were made.  
20 Of course Charter, we still have to resolve  
21 the lawsuit. But there's actually been more  
22 non-state funds than state funds in the  
23 project.

24 ASSEMBLYMAN JONES: Okay. So have we

1 spent the 500 million yet?

2 COMMISSIONER ZEMSKY: We have  
3 committed the 500 million, and some of it is  
4 still being built out.

5 ASSEMBLYMAN JONES: Okay. Because  
6 going by what my Senate colleagues would say  
7 also is that I don't believe we're going to  
8 have the coverage there that we need. And I  
9 would firmly say that we need more of an  
10 investment there from private and state, I  
11 would encourage that, because in a lot of  
12 areas we are underserved and not covered.  
13 It's the number-one concern of calls that  
14 come into my office, is broadband coverage.  
15 We all know how important it is. We need to  
16 be connected to the world for economy, our  
17 health, education purposes. We just need to  
18 get this completed. And please encourage, in  
19 our budget negotiations, to put more of an  
20 investment in that. We need it.

21 COMMISSIONER ZEMSKY: We know how  
22 important broadband is to upstate and to  
23 rural areas, and that was the point of the  
24 program. We had 30 percent of households

1 across the state without access to broadband.  
2 And, you know, so we've come a long way, yes,  
3 to a tenth of a percent --

4 ASSEMBLYMAN JONES: I agree, but I  
5 would also say the -- a lot of my  
6 constituents have great concerns with the  
7 satellite aspect of it. I know we were going  
8 to try to improve that with HughesNet, but  
9 they still are lacking the appropriate  
10 coverage or service that they need. And  
11 honestly, it's one of my top two or three  
12 complaints in my office. They're not happy  
13 with the satellite.

14 And could you elaborate a little bit  
15 on that, how we are improving on that?

16 COMMISSIONER ZEMSKY: Yes, I know that  
17 talking to our Broadband Office that I think  
18 HughesNet has actually -- is providing the  
19 next generation of speed. It's better -- it  
20 was originally 15, now 25.

21 So I had promised earlier of course we  
22 will have the Broadband Office contact you.  
23 And if we have situations where people -- you  
24 know, it's not reliable or other

1           circumstances, we are keen to understand  
2           exactly what that is and how to mitigate it  
3           and where -- how prevalent that is or how  
4           sporadic it is.

5                     ASSEMBLYMAN JONES: They have been  
6           great at that. I have been a pain in their  
7           butt, but they have been very good at that.

8                     I would also, in that vein, our cell  
9           service also, I would encourage the state to  
10          make an investment in that. There are areas  
11          in our state, especially where we're from in  
12          the North Country, that lack cell service  
13          coverage. It's really -- we really need it  
14          now that all these companies are going away  
15          from landlines. I have areas in my district  
16          that the landlines will go out, they call up  
17          the companies and they say, Well, we're not  
18          investing in new landline technology.

19                    Well, they're kind of stuck, in a  
20          spot, because they can't get the cell service  
21          coverage and the companies aren't investing  
22          in the landlines, so they're without basic  
23          phone service. It's really a public safety  
24          concern in my district.

1           And I would encourage the state to  
2           make an investment here and the Executive to  
3           make an investment in cell coverage, because  
4           it is desperately needed for all the reasons  
5           that I've stated before. It goes along with  
6           the economy but also public safety as well.

7           COMMISSIONER ZEMSKY: And I know that  
8           we're talking about convening a task force  
9           around cell coverage, similar to -- to  
10          understand exactly what those issues are and  
11          how we might start tackling them. And that's  
12          next up, that's up to bat.

13          ASSEMBLYMAN JONES: Thank you. I  
14          encourage that.

15          CHAIRWOMAN WEINSTEIN: Senate?

16          CHAIRWOMAN KRUEGER: Thank you.  
17          Senator Bob Antonacci.

18          SENATOR ANTONACCI: Thank you.

19          Mr. President, I just want to talk  
20          about Amazon. I like this idea, if you're  
21          talking about a new model -- and I actually  
22          campaigned on this -- where we tell the  
23          company come here, bring the jobs, and we're  
24          good for it, we're going to pay you if you

1 meet your goals. Because that's easier to  
2 audit, I think there's more transparency.  
3 Certainly I think the State Comptroller can  
4 do a good job at that. So if that's your new  
5 model, I commend that new model.

6 I also acknowledge that, you know, the  
7 cost of land in New York City, and  
8 construction -- I know that Amazon didn't  
9 pick upstate New York, but right now there's  
10 a lot of obstruction to them in New York,  
11 there's some consternation and there's talk  
12 about them moving. Myself, Senator Pam  
13 Helming and Assemblyman Will Barclay have  
14 advocated that if Amazon leaves New York  
15 City, we think there's a home for them in  
16 upstate New York.

17 Do we have your commitment here today  
18 that if the ship really starts to sink, that  
19 you'll work to get Amazon in upstate New  
20 York? Because boy, we could sure use those  
21 jobs.

22 (Laughter.)

23 COMMISSIONER ZEMSKY: Yeah, there were  
24 a lot of cities -- and I'm a Buffalo guy.

1           There was a lot of cities across the state  
2           that competed. It was Buffalo and Rochester  
3           competed, Syracuse, Albany, you know, New  
4           York City. And New York City, by the way,  
5           included Long Island. And the New York City  
6           metropolitan statistical area, interestingly,  
7           includes Long Island, includes parts of the  
8           mid-Hudson, includes -- it's funny, it  
9           includes Newark.

10                        So we obviously did not --

11                        SENATOR ANTONACCI: Well, I don't care  
12           about those guys, I just care about -- you  
13           know, we want them in upstate New York.

14                        COMMISSIONER ZEMSKY: No, we are  
15           keenly interested in bringing this across the  
16           finish line. I couldn't overstate the -- how  
17           excited we are to have won this. I don't  
18           think people appreciate the extent to which,  
19           while Virginia was on everyone's short list,  
20           New York was on no one's short list. I think  
21           we did a great job.

22                        It has been a pleasure -- I  
23           congratulate our ESD team. The Governor did  
24           a heck of a job selling Queens. And it's



1           been a pleasure, I want to say, to work with  
2           EDC and New York City. We've worked together  
3           in the trenches with them on this --

4                     SENATOR ANTONACCI: It's fair to say  
5           that overall the project's going to be a boon  
6           for New York no matter where it's located,  
7           right?

8                     COMMISSIONER ZEMSKY: It's going to be  
9           great for New York. It's good for the whole  
10          balance sheet of the state, it's that  
11          significant.

12                    SENATOR ANTONACCI: Well, let me  
13          interrupt you because I want to go through  
14          three other things. These are more comments.

15                    The mayor of Syracuse was here  
16          yesterday, I echo his sentiments. The Surge  
17          looks like it's going to be exciting for  
18          Syracuse. Thank you.

19                    The broadband, we all advocate that,  
20          yet there seems to be some hypocrisy into the  
21          budget that you're actually going to tax the  
22          use of the state right-of-ways. That seems  
23          silly to me. I would advocate give them as  
24          much use of that as they possibly can.

1           Paid family leave is up 21 percent,  
2           based on a calculation that I saw. It's a  
3           tax on -- or an insurance policy that's being  
4           paid by employees, but I think it adds to our  
5           reputation as being a non-business-friendly  
6           state.

7           And lastly, when we talk about  
8           transparency -- and I don't criticize my  
9           fellow colleagues on the transparency part  
10          with regard to Amazon. But we've had two  
11          things in Syracuse happen. We had the film  
12          hub go bad. We thank you for selling it to  
13          us for a dollar. I'm certainly hopeful that  
14          those kind of boondoggles won't happen again.

15          But I also want to talk about medical  
16          marijuana. Businessmen in my community  
17          profited significantly on the flip of their  
18          marijuana license. And when you start to see  
19          these kind of economic development projects  
20          either going bad or a select few, in my  
21          opinion, insiders profiting from these type  
22          of economic development projects, there's no  
23          confidence in the system.

24                 COMMISSIONER ZEMSKY: Yup. No, I hear

1           you. I think there's going to be hearings on  
2           cannabis. And I don't know exactly what  
3           ESD's role will be in whatever legislation  
4           ends up coming out of all that.

5                     But, you know, look, ESD works hard to  
6           -- you know, we're extremely concerned with  
7           professionalism. And it's not lost on us  
8           that when some of those projects got in  
9           trouble, the Governor turned to ESD. We're  
10          very proud of that. We conduct ourselves in  
11          a way that we want every single person in  
12          this room and across the state to have a lot  
13          of confidence in.

14                    SENATOR ANTONACCI: Well, I would  
15          suggest -- I would suggest advocacy from ESD  
16          of full disclosure of all documents. When  
17          you come to the public fisc and you put your  
18          hand out because you want -- not you  
19          personally, but business. And I understand  
20          that they've kind of got us over the  
21          barrel -- every document should be  
22          disclosable. Now, I'm not talking about the  
23          secret sauce, I'm not talking about the  
24          recipe to Coke. I'm talking about the

1 documents that are the governing documents  
2 that lay out the financial obligations of the  
3 state and the employer. I think you've got  
4 to start -- and this nonsense of Fort  
5 Schuyler not being subject to FOIL, those  
6 kind of things have got to end, in my  
7 opinion.

8 COMMISSIONER ZEMSKY: Yup.

9 SENATOR ANTONACCI: Thank you.

10 CHAIRWOMAN KRUEGER: Thank you.

11 Assembly?

12 CHAIRWOMAN WEINSTEIN: Assemblyman  
13 Morinello.

14 ASSEMBLYMAN MORINELLO: Commissioner,  
15 thank you for being here and your candid  
16 business answers, rather than political  
17 answers. It's refreshing.

18 But I have some questions on my  
19 district, which is Western New York, more  
20 particularly Niagara Falls. We had a leader  
21 for USA Niagara, which then was moved to vice  
22 president of ESD. He has since and gone  
23 privately, and they have put an acting  
24 chairman for USA Niagara. Is there a plan to

1 put a permanent USA Niagara chairman  
2 stationed in Niagara Falls, and is there a  
3 timetable for that?

4 COMMISSIONER ZEMSKY: Yes, and  
5 shortly.

6 ASSEMBLYMAN MORINELLO: Shortly, okay.

7 COMMISSIONER ZEMSKY: Shortly.

8 ASSEMBLYMAN MORINELLO: That's not a  
9 political shortly, correct?

10 COMMISSIONER ZEMSKY: No, that's a  
11 business shortly.

12 (Laughter.)

13 ASSEMBLYMAN MORINELLO: Thank you.

14 The other concern I have -- and I've  
15 watched it, I've watched Niagara Falls  
16 languish for over 60 years. And it just  
17 seems that the focus for many years was  
18 alleged game-changer projects.

19 Almost five years ago they announced  
20 this Wonder Falls project, which allegedly is  
21 going to be a game changer, but it's one  
22 facet in a city that is absolutely starving  
23 for more attractions. In 2017 there was an  
24 announcement that it was still on track. Is

1 this a reality, or should we start focusing  
2 on more practical projects that can come to  
3 fruition?

4 COMMISSIONER ZEMSKY: Well, you know,  
5 we have been focusing on a lot of practical  
6 projects. There's probably been -- I would  
7 say easily there's been an unprecedented  
8 number of new projects in the last four years  
9 in Niagara Falls, five years: Redevelopment  
10 of hotels, repositioning, rehab, new  
11 construction, connecting the city back to the  
12 waterfront, investments in the Gorge,  
13 investments in the State Park. There's been  
14 a lot of investment --

15 ASSEMBLYMAN MORINELLO: Well, I  
16 realize that. But brick and mortar in the  
17 city is nonexistent, and for some reason the  
18 city cannot draw those tourists from the park  
19 into the city because there's nothing for  
20 them to go to.

21 And what I'm more referring to is  
22 looking at projects, is there a plan to maybe  
23 change the focus on the scope of the projects  
24 and things that can be done with less money

1 that can be private and public?

2 COMMISSIONER ZEMSKY: Yeah, and I  
3 think we are keenly interested in -- I mean,  
4 we can have large projects and small projects  
5 simultaneously, and I'm with you. Been in  
6 the development business for some time. You  
7 know, you can really remake a community one,  
8 you know, good, meaningful, even small  
9 project at a time. And so I think  
10 philosophically we're aligned with that.

11 You know, we're in the process of  
12 acquiring a number of properties that --

13 ASSEMBLYMAN MORINELLO: That was my  
14 next question. So finish up.

15 COMMISSIONER ZEMSKY: Yeah, the number  
16 of properties that are going to be ripe for  
17 redevelopment. I think that was a bold step,  
18 and I think it's going to be a successful  
19 step. But you're going to have a lot of  
20 development opportunity there that doesn't --  
21 you know, could very well align with what  
22 you're describing.

23 ASSEMBLYMAN MORINELLO: Well, thank  
24 you. Then they would be projects that aren't

1 that 150 to 170 million that --

2 COMMISSIONER ZEMSKY: Absolutely.

3 Absolutely.

4 ASSEMBLYMAN MORINELLO: -- more --

5 okay. One other question, on the  
6 Grand Island Visitors Center. We were made  
7 to understand that there was some  
8 Buffalo Billion money put into that. Are you  
9 aware of that?

10 COMMISSIONER ZEMSKY: I will have to  
11 go back and check. I honestly don't recall.  
12 Sorry.

13 ASSEMBLYMAN MORINELLO: Okay. Because  
14 it's my understanding that the Buffalo  
15 Billion money was for development that can  
16 create jobs --

17 COMMISSIONER ZEMSKY: Right.

18 ASSEMBLYMAN MORINELLO: -- rather than  
19 a tourist visitors center.

20 COMMISSIONER ZEMSKY: It might have  
21 been Buffalo Billion II. Tourism is one of  
22 our focus industries, obviously, in Western  
23 New York -- Niagara Falls, outdoor adventure  
24 tours of Buffalo, kind of historic art and



1 cultural tourism. It's one of three sectors  
2 of the economy we're really focused on.

3 So a visitors center on Grand Island  
4 between those two real hubs, and synergistic  
5 hubs of tourism, makes -- you know, in my  
6 opinion makes compelling sense. But you talk  
7 about a region of the state that has a  
8 significant positive impact from tourism,  
9 you'd have to talk about Western New York.

10 ASSEMBLYMAN MORINELLO: Well, there's  
11 two issues with the visitor center. I do not  
12 take issue with the Governor's vision, nor do  
13 I take issue with the need. But the visitor  
14 center's location actually does not do much  
15 for either Grand Island or Niagara Falls. So  
16 we have to come to the realization that it's  
17 for Western New York rather than that  
18 particular area, number one.

19 Number two is a comment. The number,  
20 including furnishings, is approximately  
21 \$25 million. It seems that that project  
22 could have been done with less money and that  
23 other money could have been used for other  
24 projects on Grand Island. For example, the

1 River Lea House, which needs a half a million  
2 in refurbishing, which is one of the oldest  
3 structures on Grand Island.

4 So I guess the whole issue of this --  
5 and I know my time is up -- is what you've  
6 said, maybe focusing a little different than  
7 these alleged game changers. We have a large  
8 attraction, the Falls. We have a small city.  
9 Let's use what we have and focus on how it  
10 is.

11 Thank you very much, Commissioner.

12 COMMISSIONER ZEMSKY: Thank you.

13 CHAIRWOMAN WEINSTEIN: Thank you.

14 Senate.

15 CHAIRWOMAN KRUEGER: Thank you. I  
16 think I am up, thank you.

17 So there are several questions about  
18 your commitment to small business. What  
19 percentage of the money that goes through  
20 your agency actually ends up going to small  
21 business? I'm going to define small business  
22 as under 50 --

23 COMMISSIONER ZEMSKY: I'm not going to  
24 be able to pull up a statistic for you, but

1 we can, you know, get back to you on what --  
2 exactly what percentage. When you say of  
3 money that goes to business --

4 CHAIRWOMAN KRUEGER: Goes through your  
5 agency, ends up going to small businesses.  
6 And I would include in that the tax credits  
7 and abatements that also come with the  
8 process of going through your agency. Just  
9 trying to get a sense of what the overall  
10 percentage of your work focuses on small  
11 businesses rather than megadeals.

12 COMMISSIONER ZEMSKY: Yeah, we -- a  
13 lot, I think, actually focuses on small  
14 businesses. Most of the state's businesses  
15 are small businesses.

16 We have -- we are not really looking  
17 for the silver bullet projects, by and large.  
18 I know SUNY Poly had an enormous focus on  
19 that. Opportunity does present itself from  
20 time to time, like Amazon. That is a  
21 once-in-a-lifetime kind of opportunity.

22 CHAIRWOMAN KRUEGER: So you'll be able  
23 to get back to me with a --

24 COMMISSIONER ZEMSKY: But the nuts and

1 bolts of ESD -- yup. The nuts and bolts of  
2 ESD frankly is revitalization, workforce,  
3 innovation through NYSTAR, small business  
4 development, tradable sectors of the economy.  
5 I think you might be surprised how much of it  
6 doesn't actually go to private businesses.

7 CHAIRWOMAN KRUEGER: So maybe when we  
8 ever get the database running we'll be able  
9 to take a look and see. But I would  
10 appreciate some numbers earlier.

11 Let's talk about START-UP NY. How  
12 many jobs have been created in that  
13 program through how many businesses?

14 COMMISSIONER ZEMSKY: I think there's  
15 -- 1600 were created in START-UP NY. I  
16 think there's about 1200 what we refer to as  
17 net new jobs.

18 CHAIRWOMAN KRUEGER: And at what cost?

19 COMMISSIONER ZEMSKY: It's one of the  
20 -- as far as the tax credits, the tax  
21 benefits go, it's really relatively low cost  
22 in terms of the tax benefits that these  
23 companies have received. I think it's maybe  
24 \$10 million or under. So it's, you know,

1           actually an efficient program in terms of the  
2           benefits, the payroll, the investment  
3           relative to the tax credit.

4           CHAIRWOMAN KRUEGER:  Although the tax  
5           credits go on for what, at least 10 years?  
6           What's the time frame?

7           COMMISSIONER ZEMSKY:  Yeah, I believe  
8           so.

9           CHAIRWOMAN KRUEGER:  And nobody's been  
10          in the program more than two years?

11          COMMISSIONER ZEMSKY:  Yeah, many have  
12          been in more than two years.

13          CHAIRWOMAN KRUEGER:  Okay.  So there  
14          was a lot of discussion about Amazon and  
15          doing the math there.  I'm interested in the  
16          math on Buffalo.  You talked about the  
17          RiverBend project.  We paid \$750 million of  
18          taxpayer money?

19          COMMISSIONER ZEMSKY:  Yes.  It didn't  
20          go to the company, it's owned by the state.

21          CHAIRWOMAN KRUEGER:  And then we've so  
22          far gotten 700 jobs?

23          COMMISSIONER ZEMSKY:  There are 700  
24          jobs, yeah.

1           CHAIRWOMAN KRUEGER: So we spent a  
2 million dollars a job there.

3           COMMISSIONER ZEMSKY: Yeah, I mean  
4 it's -- the agreement has 1400 jobs targeted  
5 by this time, or April of next year. It has  
6 several thousand jobs across the state. So  
7 yes, it's owned by the state and it does have  
8 job commitments for Buffalo of 1465, I  
9 believe.

10          CHAIRWOMAN KRUEGER: So Mayor Brown  
11 was here yesterday in the Local Governments  
12 hearing, and I asked him about the Buffalo  
13 Billion. And he projected that the money the  
14 state had invested had translated into \$6.5  
15 billion of economic activity, between public  
16 and private.

17                 And then I asked him how much new  
18 revenue was coming into Buffalo from all this  
19 expenditure, because why did he still seem to  
20 need to come to Albany and beg for money?  
21 And he said they don't really see any new tax  
22 revenue or revenue coming into the city's  
23 budget, despite \$6.5 billion in expenditures.  
24 And I asked though surely he must be seeing

1 growth in jobs and decreased unemployment  
2 compared to other parts of upstate that  
3 haven't had \$6.5 billion in economic  
4 development investment, and he said no, their  
5 numbers didn't reflect that.

6 So what's a city like Buffalo actually  
7 getting out of all this?

8 COMMISSIONER ZEMSKY: Well, Buffalo is  
9 getting -- has gone through the most  
10 significant -- I live in Buffalo. I've lived  
11 there for 37 years. There's no other part of  
12 the state that's gone through a greater  
13 transformation in the last seven years than  
14 Buffalo, New York, has. It is an  
15 extraordinary change in private-sector  
16 investment, in jobs, in growth of young  
17 population -- and wages are up \$2 billion in  
18 Buffalo -- in home values, in energy, in good  
19 press, in image of Buffalo nationally.

20 Buffalo is an extremely different  
21 place than it was seven years ago. I  
22 wouldn't have even imagined it was possible.  
23 So what is so striking about Buffalo now is  
24 the energy, the entrepreneurship, the number

1 of additional firms. You literally have over  
2 a thousand new firms in the last seven  
3 years -- a thousand. Two billion dollars of  
4 wages. You've got one of the hottest housing  
5 markets over that period of time as a  
6 percentage increase that you can imagine.

7 Young people have come back. I have  
8 three kids in their 20s and 30s, and they  
9 would have told you 10 years ago they would  
10 never be back in Buffalo.

11 CHAIRWOMAN KRUEGER: So again I'll go  
12 back to the mayor's statistics. So he did  
13 agree that population is no longer  
14 decreasing, which it had been for a long  
15 time.

16 COMMISSIONER ZEMSKY: Right.

17 CHAIRWOMAN KRUEGER: But if all of  
18 these things are true, where's the tax  
19 revenue from a thousand new businesses and  
20 all these new employees? Apparently the City  
21 of Buffalo isn't getting it. Are the  
22 surrounding counties getting it instead?

23 COMMISSIONER ZEMSKY: I'm not privy to  
24 -- you know, I didn't come here today with



1 the tax revenue of Buffalo. And I'm sure we  
2 could -- you know, the mayor knows what he's  
3 talking about, obviously, so -- but Western  
4 New York has stopped declining. We've turned  
5 that ship around in a significant way. I  
6 don't recall ever a time where we had more  
7 robust plans. It's not just Buffalo, it's  
8 Rochester's gaining young population,  
9 Rochester's seeing growth across upstate.

10 I mean, it is a -- you know, downstate  
11 is still more robust than upstate in terms of  
12 its economy, but upstate is participating in  
13 a way that it hasn't in a very long time.  
14 And upstate has a vision for itself, and  
15 these areas do, that it hasn't in a very long  
16 time. It isn't easy to stem the tide of 40  
17 years of decline. That's not a small amount  
18 of decline: 40 years of decline. Young  
19 people, not just decline. And this is  
20 important for everyone to know, young people  
21 left in disproportionate numbers for a long  
22 period of time. That creates a tremendous  
23 headwind for some number of years. Young  
24 people leave, they start new families, they

1 spend more money, they buy a new house, they  
2 get a car, they're upsizing. People that  
3 were left in Buffalo were older. They're  
4 like me now. They're starting to think about  
5 downsizing and thinking about retiring and  
6 things like that.

7 So we've come a long way, but we have  
8 a legacy of losing young population which has  
9 benefited many parts of this country and has  
10 created a headwind for upstate, continues to.

11 CHAIRWOMAN KRUEGER: And I also think  
12 we have a responsibility that when we spend  
13 billions of dollars and make decisions that  
14 supposedly translate for the people in a  
15 community, we need to be able to show that  
16 what we said we did, we did. And so I think  
17 we're either not measuring correctly or we're  
18 not getting correct facts.

19 So for me -- and this isn't new, I  
20 mean, I'm fairly well known -- I don't  
21 believe in corporate welfare. I'm not sure  
22 why the state is spending at least half of  
23 what it spends on any of these programs. I'd  
24 rather see the investment in infrastructure

1 and a quality educated workforce. And I  
2 think businesses go places where they see  
3 opportunity. And I'm very concerned that we  
4 try to pick winners and losers.

5 And maybe you're absolutely right,  
6 Mr. Zemsky, there's all these things  
7 happening. But the return doesn't seem to be  
8 translating for the people who live in the  
9 City of Buffalo. And so just because someone  
10 makes money doesn't mean you actually have  
11 economic development --

12 COMMISSIONER ZEMSKY: Just because  
13 what?

14 CHAIRWOMAN KRUEGER: Just because  
15 someone's making money doesn't mean there's  
16 economic development. Gambling is the  
17 perfect example. A whole lot of money  
18 changes hands, but only the house wins.

19 And so I'm very interested in better  
20 evaluations showing how the real people who  
21 are supposed to be benefiting are actually  
22 the ones who do so, because they also pay a  
23 price, as you've heard with the concerns from  
24 people in Queens. Somebody was moving into

1 Long Island City, trust me. The question is  
2 who wins and who loses under the models we're  
3 picking.

4 COMMISSIONER ZEMSKY: What's great  
5 about Buffalo is that it has -- it's  
6 attracting so much private-sector investment,  
7 not government investment. It's an  
8 unprecedented amount of private capital.  
9 That's really how we -- you know, that's what  
10 we're looking for. So it's started to --

11 CHAIRWOMAN KRUEGER: But we've  
12 exempted them from taxes, so they're not  
13 paying tax revenue but they are using the  
14 emergency services, the water, the roads, the  
15 school systems of the city. And again, it's  
16 who's winning and who's losing here.

17 COMMISSIONER ZEMSKY: Right.

18 CHAIRWOMAN KRUEGER: And my time is  
19 up, so I have to stop this one. Thank you.

20 CHAIRWOMAN WEINSTEIN: Thank you.

21 Assemblywoman Bichotte.

22 ASSEMBLYWOMAN BICHOTTE: Thank you,  
23 Commissioner, for being here.

24 My name is Assemblymember Rodneyse

1 Bichotte, a proud alum of Buffalo State  
2 College and University of Buffalo, and also a  
3 degree in engineering. So when I hear tech  
4 companies like Google, Amazon coming into New  
5 York City, in my mind I'm like, oh, yeah, we  
6 would like New York City to be a tech hub,  
7 given my background.

8 But of course, like many of my  
9 colleagues, I was taken aback a little bit by  
10 how the deal was presented -- issues around  
11 community benefit agreements as well as labor  
12 laws and unions, issues around the threat of  
13 the housing market being shot up in the same  
14 way that Seattle did, at 41 percent, making  
15 Seattle the highest-priced housing market.  
16 And so we don't want to push our New Yorkers  
17 out of New York City.

18 Also issues around whether or not  
19 these 25,000 jobs are for New York City's or  
20 New York Staters, or are they coming from  
21 elsewhere? And do we have a representation  
22 that reflects New York City, like minority  
23 and women being in senior leadership roles?  
24 And even issues, when we talk about minority

1 and women, you know, what is the level of  
2 participation? We didn't see much around  
3 minority and women business enterprise.

4 So, you know, the lack of  
5 transparency, nondisclosure has been really  
6 alarming for all of us. And I'm sure you  
7 heard many of our colleagues certainly want  
8 to know how EDC will be able to ensure that  
9 we address all of these issues, especially  
10 the housing market. Housing is one of the  
11 single biggest issues in New York City, and  
12 we just cannot afford to have more people  
13 homeless and on the streets. So that's a  
14 major concern.

15 So that's my first question.

16 My second question is around MWBE. I  
17 notice that you did have \$635,000 allocated  
18 to the program, which I would --

19 COMMISSIONER ZEMSKY: I'm sorry, can  
20 you say that again?

21 ASSEMBLYWOMAN BICHOTTE: It says  
22 \$635,000, I saw it in the budget something.  
23 It said that it was part of the program.

24 I know we need to invest more in the

1 program because we have an issue with the  
2 certification process. Right now many of the  
3 MWBEs across the state are complaining that  
4 it takes two years to be certified, and so we  
5 certainly want to invest in the program.  
6 We've been pushing, you know, like \$15  
7 million to kind of revamp, hire more people  
8 to get the process -- and also implement  
9 capacity programs in the same way we did with  
10 the MTA and the same way as SCA.

11 So we're looking to do great things,  
12 and now that this is a new year -- in  
13 addition to that, the Governor also proposed  
14 that they oversee everything. And the  
15 personal net worth has been something that  
16 we've been fighting for, up to 3.5 million,  
17 which caps and limits MWBEs from growing and  
18 being successful. We have many other cities  
19 and states who have robust MWBE programs that  
20 doesn't have a personal net worth like  
21 New York City. And there's ways to go about  
22 that, keeping the integrity of the program.

23 So I certainly want you to address the  
24 investment that we're going to make in the

1           Minority and Women Business Enterprise  
2           program.

3                     And lastly, and I'm sorry for all  
4           these questions, I know there's a big push  
5           for tourism, I Love NY. I've seen tourism in  
6           areas like the Statue of Liberty, the World  
7           Trade Center, as well as Times Square. But  
8           what is being done --

9                     CHAIRWOMAN WEINSTEIN: Assemblywoman,  
10          if you're looking for answers, we've got to  
11          give him at least a minute or so to answer.  
12          So maybe --

13                    ASSEMBLYWOMAN BICHOTTE: Okay. What  
14          are we doing in terms of ethnic neighborhoods  
15          like Little Haiti? So we have like little  
16          communities coming up. Little Haiti was  
17          established last year. And we would just  
18          like to see more partnership with EDC to  
19          really explore and promote tourism in these  
20          different communities that will bring  
21          economic development in these ethnic  
22          neighborhoods like Little Haiti.

23                    Thank you.

24                    COMMISSIONER ZEMSKY: Okay. So, I



1 mean, we have a big focus on MWBEs and we're  
2 -- we put a lot of time and effort into  
3 reducing the backlog on MWBEs. We put a lot  
4 of time and effort into recruiting, helping  
5 to recruit more MWBEs. It's been a huge  
6 focus of ours. The MWBE question that you  
7 have is related to something specific?

8 CHAIRWOMAN WEINSTEIN: You know,  
9 perhaps offline you can have more of a  
10 discussion of both the MWBE program and some  
11 ways to help in Brooklyn with some of the  
12 economic development of the Little Haiti  
13 district.

14 COMMISSIONER ZEMSKY: I mean, Pravina  
15 can talk about some of the small business  
16 programs that we have that are geared toward  
17 MWBE -- access to capital programs and things  
18 like that. Why don't you touch on the MWBE  
19 small business programs that we've got?

20 ESD EXEC. VP. RAGHAVAN: Yeah, so we  
21 do have particular programs actually to help  
22 specifically the MWBEs as they become  
23 contractors, both from Bridge to Success or  
24 just to bridge their loans while they try to

1 gear up to capacity, as well as making sure  
2 they have surety bonds. As well as working  
3 with them on working capital needs after they  
4 become contractors.

5 And those programs are actually just  
6 targeted to MWBE contractors to make sure  
7 that as they're getting state contracts or  
8 even local government contracts, we can make  
9 sure they grow bigger as you --

10 CHAIRWOMAN WEINSTEIN: Thank you.

11 ESD EXEC. VP. RAGHAVAN: -- as one of  
12 their objectives.

13 ASSEMBLYWOMAN BICHOTTE: Thank you so  
14 much.

15 CHAIRWOMAN WEINSTEIN: Thank you.

16 So we'll go to the Senate now.

17 CHAIRWOMAN KRUEGER: Okay, we're  
18 starting second round.

19 And Chair Anna Kaplan.

20 SENATOR KAPLAN: Okay, I'm going to go  
21 back to --

22 (Calls of "mic.")

23 SENATOR KAPLAN: Hi. I'm going to go  
24 back to MWBE.

1           I know that in the last year there  
2           were five full-time employees that were added  
3           to assist with the backlog of certification.  
4           Can you give us an update? When do you think  
5           they will actually catch up with these  
6           backlogs? Do you have a timetable?

7           COMMISSIONER ZEMSKY: We have -- I  
8           don't have a specific timetable when we'll  
9           catch up exactly. But we've reduced the  
10          backlog by quite a bit.

11          And this is -- the process is very  
12          iterative. So if you make an application to  
13          be an MWBE, where you're traditionally doing  
14          a lot of back and forth to request more  
15          information -- maybe you've submitted part of  
16          the information, we need you to provide more  
17          information. So it's not as simple as, you  
18          know, you submitted your application and it  
19          takes a while. The process of back and forth  
20          and getting information and collecting  
21          information and clarifying the information --  
22          sometimes the longest part of the process  
23          oftentimes is that -- the early stages. Once  
24          we get a final application, we have all the

1 information that we need, we believe that we  
2 can make that determination within 90 days.  
3 So trying to simplify what it is that we need  
4 and how we get it, and shorten that kind of  
5 deliberative process or iterative process --  
6 sometimes we can't always control how long it  
7 takes to get information back.

8 The integrity of the program is  
9 extremely important. If people -- if we have  
10 an MWBE database and people are using MWBEs,  
11 we need to know and assure industry that the  
12 MWBEs, you know, are able to perform. So  
13 we're very careful about how do we categorize  
14 it in terms of what industry are they -- do  
15 they have experience in. And we want to make  
16 sure that there's no fraud in the system.  
17 That obviously is extremely important to the  
18 integrity of the process. So we are careful.  
19 Sometimes there's a lack of understanding in  
20 terms of what really qualifies as an MWBE in  
21 terms of that it's more than just ownership,  
22 that it's actual control.

23 SENATOR KAPLAN: So could that  
24 application process be streamlined to make it

1 a little bit more clear going on -- going and  
2 asking for that first?

3 COMMISSIONER ZEMSKY: Yes. And we are  
4 in fact doing that. So we are in the  
5 process.

6 And I mentioned Valerie, who is doing  
7 a great job. And we are really looking to  
8 shorten the process, streamline the process,  
9 continually improve the process. We have  
10 reduced the backlog quite a bit, so we're on  
11 the road to reducing, but -- I don't have a  
12 date for when there will be no backlog, but  
13 when we have a completed application, it  
14 doesn't take as long as people think. It's  
15 getting to that point where that clock starts  
16 ticking.

17 SENATOR KAPLAN: Do you believe -- I  
18 know that there was \$635,000 in the budget  
19 last year, and we have again this year a  
20 \$635,000 budget for MWBE. Given what it does  
21 for all of the State of New York, for  
22 minorities and women, do you think we should  
23 increase that amount?

24 COMMISSIONER ZEMSKY: Yeah, I -- I'd

1 have to go back and look at exactly the  
2 number you're referring to. We have more  
3 people in MWBE than \$600,000. So --

4 SENATOR KAPLAN: Okay. The number  
5 that's in the budget is 635,000.

6 And one other question. Can you  
7 explain the decision-making process behind  
8 the REDC awards? How does that work? So  
9 when I have actually constituents or  
10 different schools that ask me questions about  
11 this, I can actually walk them through the  
12 process a little bit?

13 COMMISSIONER ZEMSKY: Right. And what  
14 type of project -- I mean, it's -- you know,  
15 you have a consolidated funding application,  
16 right, so you're -- depending on what type of  
17 project you have or what agency program it  
18 is, it may go to any number of different  
19 agencies ultimately for a final decision.

20 The REDC reviews projects for what it  
21 considers to be its high priorities, its  
22 strategic priorities, which projects kind of  
23 advance its strategic priorities and which  
24 projects are looking for capital funds for

1 those strategic priorities.

2 But at the end of the day, REDC kind  
3 of evaluates it for alignment with that  
4 region's strategy -- in your case,  
5 Long Island regional strategy -- and it makes  
6 a recommendation or it scores the potential  
7 project. Then it goes to the state agency  
8 which ultimately makes the final  
9 determination.

10 So the REDC is kind of an advisory  
11 group, but the ultimate responsibility lies  
12 with the state and appropriate state agency.  
13 REDC can identify something as being very  
14 strategic or very impactful, very much  
15 aligned with its region's strategy, and then  
16 the state agency, depending on what the  
17 project is and what funding they're seeking,  
18 ultimately makes that call.

19 SENATOR KAPLAN: Thank you.

20 CHAIRWOMAN KRUEGER: Thank you.

21 Assembly.

22 CHAIRWOMAN WEINSTEIN: Assemblyman

23 Stec.

24 ASSEMBLYMAN STEC: Thank you.

1           Thanks for your testimony today,  
2 Commissioner.

3           I represent four counties in the North  
4 Country, very rural. I'm going to add my  
5 voice to some of the previous colleagues; I  
6 do not believe that my district is anywhere  
7 close to 99.9 percent in broadband.

8           I suspect -- from that, stemming from  
9 that, I've got transparency concerns, not  
10 only for myself, but the public that's  
11 calling, saying, hey, what's our plan? Are  
12 we in? Are we slated to be -- have we been  
13 awarded?

14           Forty-one towns in my district, lot of  
15 town supervisors. Most of them don't have a  
16 high level of confidence that the maps are  
17 accurate. You must have heard this over the  
18 years: Well, we're using a different set of  
19 maps now. I just -- not quite a question yet  
20 here, but I just want to communicate to you  
21 that I suspect that a lot of the rural areas  
22 are not close to 99 percent.

23           And I too share concerns with the  
24 adequacy of satellite. But I get it, there's



1           some practicality there. I mean, I think  
2           most reasonable people would agree that, you  
3           know, it's going to be hard to get there with  
4           some places.

5                     But one concern that I have is in the  
6           area of Charter. A lot of times when we call  
7           down asking about a specific address, we get,  
8           Well, you know, we can't tell you exactly,  
9           but -- and, you know, what I think is this  
10          145,000 units that Charter is on the hook for  
11          statewide has been allocated in the excuses  
12          department more than 145,000 units worth.

13                    So can you address that? I mean, how  
14          close are we really to wrapping things up  
15          with Charter and, more importantly, getting  
16          broadband to the last remaining 10th of a  
17          percent or 10 percent, depending on how  
18          pessimistic or optimistic you are?

19                    COMMISSIONER ZEMSKY: Yeah, you know,  
20          the legal matter with PSC and the state I'm  
21          not really privy to the detail on that. I  
22          wouldn't be able to share accurate  
23          information. I mean, I'm not a hundred  
24          percent sure where that is. I think it's

1 made good progress, but I couldn't represent  
2 more than that. And I can't swear to it.

3 ASSEMBLYMAN STEC: And I appreciate  
4 that. I just -- again, two-way  
5 communication. I want you to know that, you  
6 know, these two people that went before me  
7 that mentioned broadband, they're not alone.  
8 I really suspect that it's not as good as  
9 some people in Albany think it is.

10 COMMISSIONER ZEMSKY: And it's not --  
11 we have not built out to 99.9 percent, we  
12 have commitments to 99.9 percent. So I think  
13 there's still -- there's a lag between making  
14 the commitment and building out or providing  
15 the service.

16 ASSEMBLYMAN STEC: If I could shift  
17 gears, we heard some people asking questions  
18 about Amazon. By my count, we've got about  
19 1.2 billion in Excelsior tax credits, New  
20 York City's put in 1.3 billion, another half  
21 a billion in capital grants -- so right  
22 around \$3 billion.

23 What was the targeted or the promised  
24 job creation for that \$3 billion?

1 COMMISSIONER ZEMSKY: Sorry, what was  
2 the --

3 ASSEMBLYMAN STEC: About \$3 billion  
4 for Amazon.

5 COMMISSIONER ZEMSKY: Yes, and what  
6 was the target?

7 ASSEMBLYMAN STEC: Yeah. What is the  
8 -- what is --

9 COMMISSIONER ZEMSKY: It's at least  
10 25,000.

11 ASSEMBLYMAN STEC: Okay. Because I'd  
12 like to -- you know, based off of that, we  
13 allocated \$750 million for Tesla, and that  
14 promise was 3,000 jobs in Western New York  
15 and 5,000 throughout the state.

16 How many people are currently at the  
17 Tesla facility, employed?

18 COMMISSIONER ZEMSKY: Seven hundred  
19 plus.

20 The money, just so we're clear, just  
21 the semantics, the state did invest in the  
22 facility and some equipment. It does own it.  
23 It was a -- the state does continue to own  
24 that facility. It was a SUNY Poly project.

1 We have been involved in it for the last two  
2 years.

3 But the numbers are as you described.  
4 So there's 700-plus people working -- more of  
5 them now are working for Panasonic than  
6 Tesla.

7 ASSEMBLYMAN STEC: All right. I'll  
8 jump to the Governor in his State of the  
9 State presentation started talking about  
10 prevailing wage and it should be expanded to  
11 include private economic development projects  
12 that involve participation with state  
13 funding. And many studies show -- and my  
14 experience in local government, and a lot of  
15 my former colleagues in local government  
16 would agree -- that prevailing wage will add  
17 25 to 30 percent to the total cost of a  
18 project.

19 Has there been any consideration on  
20 the impact that this would have on budgets in  
21 the economic development programs, and has  
22 there been any consideration on what this  
23 would do to new construction and economic  
24 development throughout the state?

1           COMMISSIONER ZEMSKY: I believe  
2 prevailing wage is focused on infrastructure  
3 projects.

4           ASSEMBLYMAN STEC: So private projects  
5 that get public funding won't be --

6           COMMISSIONER ZEMSKY: That's my  
7 understanding. I have not seen anything on  
8 it, but I believe it's -- I believe it's  
9 focused on public infrastructure.

10          ASSEMBLYMAN STEC: Okay. Well, that  
11 would be news, because that's not what I  
12 thought I heard the other day, but.

13           And then the last question I would  
14 like to ask is in the REDC world the Governor  
15 waits, makes a big presentation, you  
16 (inaudible) -- and you do a great job, by the  
17 way -- in December announcing millions of  
18 dollars -- you know, hundreds of millions of  
19 dollars of awards throughout the state. And  
20 at that point that is the last time -- you  
21 know, that is the first time that elected  
22 officials and the public are hearing, hey,  
23 here's the announcement. That's not very  
24 transparent.

1           Are you opposed to changing the  
2 process to include legislative input and  
3 greater transparency?

4           COMMISSIONER ZEMSKY: Yeah, I mean the  
5 projects are -- we have -- every one of those  
6 projects is on the ESD website. It provides  
7 a lot of detail. A lot of them come before  
8 the ESD board, it has an enormous amount of  
9 detail. So we can track -- you can track the  
10 projects. I think we have 7,000 projects  
11 online at ESD.

12          ASSEMBLYMAN STEC: After December.

13          COMMISSIONER ZEMSKY: Yeah.

14          CHAIRWOMAN WEINSTEIN: Thank you.

15          CHAIRWOMAN KRUEGER: Thank you.

16          Senator John Liu for second round.

17          SENATOR LIU: Thank you very much,  
18 Madam Chair, for the seconds.

19          Thank you, Commissioner. Once again,  
20 I've heard you say over and over again when  
21 people ask about the cost, you redirect and  
22 you call them tax credits. And I just want  
23 to -- you know, I just want to emphasize to  
24 you that tax credits are costs. Tax credits,

1           forgone revenue, tax expenditures, whatever  
2           you call them, they are less money -- maybe  
3           not right now, but less money in terms of the  
4           future revenue stream. So they are in fact  
5           costs.

6                    COMMISSIONER ZEMSKY: Okay.

7                    SENATOR LIU: Now --

8                    COMMISSIONER ZEMSKY: I just --

9                    SENATOR LIU: Well, I'm not -- I don't  
10           want to ask you a question about them.

11                   My question actually is, is the Amazon  
12           deal done? Is it a done deal?

13                   COMMISSIONER ZEMSKY: No.

14                   Whatever -- let me say this. Whatever  
15           you call it, and I, you know, I appreciate  
16           you take exception to what I call it. Call  
17           it whatever you want, the benefit is nine  
18           times whatever you want to call it.

19                   SENATOR LIU: That's true. But  
20           remember, as you pointed out in your  
21           testimony, during that period that you talk  
22           about, since 2011, about 800,000 jobs have  
23           been created in the State of New York with no  
24           subsidies whatsoever. So there you have tax

1 revenues coming in with nothing being given  
2 back.

3 My question again is -- I appreciate  
4 your answer about Amazon not being a done  
5 deal. Is the Public Authorities Control  
6 Board going to be a part of the equation?

7 COMMISSIONER ZEMSKY: You know, again,  
8 I'm not the government scholar. I think it  
9 depends maybe where the money is coming from.  
10 There are better people to ask about how  
11 Public Authorities Control Boards -- what  
12 they have purview over and don't than I am.  
13 So I'm not -- I don't know.

14 SENATOR LIU: So, I mean, you've been  
15 head of the Empire State Development  
16 Corporation and the commissioner for Economic  
17 Development for a number of years now.

18 COMMISSIONER ZEMSKY: Right. Yup.

19 SENATOR LIU: And you haven't ever  
20 dealt with the PACB?

21 COMMISSIONER ZEMSKY: No, we deal with  
22 PACB often. And -- but not on every project.  
23 But we do deal with PACB often, yes.

24 SENATOR LIU: But on the Amazon



1 project you're not -- you don't know what if  
2 any involvement the PACB will have?

3 COMMISSIONER ZEMSKY: I am not  
4 certain. It depends, I think, where the  
5 source of funds are and whether it's in the  
6 budget and things of that nature.

7 So never in my four years has anyone  
8 asked me where -- what goes to PACB and what  
9 doesn't. So we're active on economic  
10 development but I would defer to, you know,  
11 better legislative --

12 SENATOR LIU: I was going to be done,  
13 but you just said "source of funds." Earlier  
14 you said there would be no source of funds  
15 necessary for the Amazon project, it would  
16 only be giving back a portion of their future  
17 tax revenues. So --

18 COMMISSIONER ZEMSKY: Yes, tax  
19 credits, right. So most of it is Excelsior  
20 tax credits. But there's a capital grant  
21 portion of it which helps to offset the costs  
22 of construction.

23 SENATOR LIU: Okay, so there actually  
24 is taxpayer money being given up-front.

1           COMMISSIONER ZEMSKY: Only after the  
2 money has been spent on the construction. So  
3 it follows the construction. There's no  
4 money being spent that hasn't already been  
5 spent first by Amazon. So it gets  
6 reimbursed. There's no up-front investment  
7 as such. It is all post-performance. So you  
8 have to perform, be it the jobs or the  
9 investment, before you get anything back if  
10 you're Amazon. So it's all post-performance,  
11 it's all --

12           SENATOR LIU: Okay, so those capital  
13 dollars also would not be before any of the  
14 jobs are created.

15           COMMISSIONER ZEMSKY: Right.

16           SENATOR LIU: Okay. Thank you.

17           Thank you, Madam Chair.

18           CHAIRWOMAN KRUEGER: Thank you.

19           Assembly.

20           CHAIRWOMAN WEINSTEIN: So I have just  
21 a couple of questions.

22           There were some questions already  
23 about the REDCs, and you said in your opening  
24 statement that roughly \$6.1 billion has been

1 already awarded by the REDC councils over the  
2 past eight years. So how many or what  
3 percentage of those over 7,000 projects  
4 announced over the past eight years have been  
5 completed? And perhaps maybe focus on the  
6 first four years of the program, knowing that  
7 it obviously takes some time to get things  
8 through the pipeline.

9 COMMISSIONER ZEMSKY: Yeah, I'll get  
10 back to you on the detail. The vast  
11 majority -- you know, obviously the earlier  
12 the project, the more likely it's complete.  
13 Different projects have different time  
14 frames. Construction takes much longer than  
15 funding a program that's, you know, up and  
16 running. So you've got some variability  
17 financing.

18 But obviously -- and then what  
19 projects don't pan out, money comes back and  
20 it has the opportunity to be reallocated. So  
21 it isn't lost as such. It's just a question  
22 of when does it get complete.

23 So we can give you more detailed  
24 information.

1           CHAIRWOMAN WEINSTEIN: Sure. That  
2 would be appreciated. Because I know in the  
3 annual regions' REDC booklets or  
4 presentations they make and they submit, they  
5 do list the completed projects. So -- but  
6 then, you know, you almost have to look  
7 region by region.

8           COMMISSIONER ZEMSKY: Right.

9           CHAIRWOMAN WEINSTEIN: Is there  
10 someplace to see that online on an aggregate  
11 basis?

12           COMMISSIONER ZEMSKY: Well, all these  
13 reports are all online. They're all online  
14 and the projects are all online, so --

15           CHAIRWOMAN WEINSTEIN: Right. But I  
16 guess I'm saying is there an aggregate  
17 aggregation of those projects, or do you have  
18 to look at each individual region to figure  
19 that out?

20           COMMISSIONER ZEMSKY: I think the  
21 region -- yeah, the regions I think have  
22 aggregates. I don't know that there's a  
23 total aggregate.

24           CHAIRWOMAN WEINSTEIN: Okay. And then

1           again with the REDCs, so the Governor does  
2           have a proposal to have Office of Inspector  
3           General pre-audit review the NY Works program  
4           and a few other select economic development  
5           programs for conflicts of interest or ethical  
6           conflicts. Do you have any sense of why the  
7           REDC program wasn't subjected -- isn't being  
8           proposed to be subjected to this requirement  
9           also?

10                   COMMISSIONER ZEMSKY: To -- subjected  
11           to what?

12                   CHAIRWOMAN WEINSTEIN: To having a  
13           pre-audit review of potential conflicts of  
14           interest or ethical concerns.

15                   COMMISSIONER ZEMSKY: Yeah, I mean the  
16           REDCs do have codes of conduct and they do  
17           have disclosure of a lot of information.  
18           These are advisory groups. There's conflict  
19           of interest statements, there's  
20           well-established procedures to avoid  
21           conflicts of interest. None of the REDC  
22           members have the authority to approve  
23           projects. It's an advisory group. So I  
24           think there's a lot of safeguards built into

1 it.

2 CHAIRWOMAN WEINSTEIN: And just one  
3 question to follow up what Senator Krueger  
4 was talking to you about the START-UP NY. I  
5 was just wondering if you've heard from  
6 businesses interested in joining the program  
7 and found that there were factors or issues  
8 that prevented them from actually  
9 participating.

10 COMMISSIONER ZEMSKY: There's a lot of  
11 -- you know, we've been really focused on  
12 connecting some interesting earlier-stage  
13 businesses with colleges and universities and  
14 trying to align the business with the focus  
15 area of the college. So a lot of those  
16 companies benefit greatly from START-UP NY,  
17 they benefit greatly from the association and  
18 the affiliation with the college and  
19 university.

20 We see it -- you know, where I live we  
21 see UB as -- there are a tremendous of  
22 START-UP NY companies, they're able to  
23 network with the business school or the  
24 engineering school or things of that nature.

1           So we're trying to create a very fertile  
2           environment for successful young companies,  
3           and that's -- we have focused on that in a  
4           lot of ways.

5                     We've traditionally lost a lot of  
6           promising young businesses, New York City  
7           maybe not as much as upstate. But upstate  
8           loses -- has lost too many promising young  
9           companies to, you know, Boston or frankly to  
10          New York City or California. So, you know,  
11          we try to almost act as like a concierge for  
12          some of these businesses to connect them to  
13          the colleges, connect them to the  
14          universities, create an environment where  
15          they can see some benefit if they're  
16          successful, additional benefit if they're  
17          successful. That is where I think the sweet  
18          spot of START-UP NY is.

19                    And so I think we've worked hard to  
20          help those businesses.

21                    CHAIRWOMAN WEINSTEIN: Okay. Thank  
22          you for now.

23                    Senate?

24                    CHAIRWOMAN KRUEGER: Thank you.

1 Senator Brad Hoylman for a first time.

2 SENATOR HOYLMAN: Thank you.

3 Thank you, Mr. Zemsky.

4 Following up on a question earlier  
5 about broadband, you know, I take the train  
6 into Albany every week. And without fail, 10  
7 to 15 minutes outside of Rensselaer, my calls  
8 drop and my wifi stops working. Can you look  
9 into that?

10 (Laughter.)

11 COMMISSIONER ZEMSKY: I'll fix it.

12 SENATOR HOYLMAN: I think if I'm a  
13 businessperson or I'm anyone who wants to do  
14 business in the State of New York and I'm  
15 riding the train and my important conference  
16 call drops as I approach the state capital of  
17 New York, I would be discouraged.

18 COMMISSIONER ZEMSKY: I'm with you.  
19 And I think that's one of the reasons you see  
20 us have a cell task force and trying to  
21 improve cell service.

22 SENATOR HOYLMAN: So you can look into  
23 that specifically?

24 COMMISSIONER ZEMSKY: I can look into



1           whatever you'd like, Senator.

2                       SENATOR HOYLMAN: Thank you.

3                       On the Regional Economic Development  
4           Councils, if I went to the ESD website I  
5           could find all of the applications and how  
6           they scored among the REDCs?

7                       COMMISSIONER ZEMSKY: I believe you  
8           can find all those scores for all the  
9           projects.

10                      SENATOR HOYLMAN: I couldn't -- I  
11           couldn't, just to let you know. So I --  
12           maybe you can correct me otherwise. I don't  
13           know if your colleague knows. It wasn't  
14           easily found, I'll tell you that.

15                      There is a lack of transparency, I  
16           think. I hear this among my constituents who  
17           file, who make applications, who are confused  
18           by the process, who, you know, don't  
19           understand how they got this score or -- and  
20           more important, our constituents, you know,  
21           don't know how the money is being distributed  
22           and on the basis of what. I understand you  
23           have a formula, and I understand ultimately  
24           it is, you know, ESD's decision. But I think

1 more transparency in the scoring process  
2 itself -- online, available, who applied --  
3 not only who won, but who applied -- would be  
4 very helpful. Is that something you can  
5 commit to improving?

6 COMMISSIONER ZEMSKY: Yes. We can --  
7 you know, we can always improve something.  
8 But we'll check out the scoring. I don't --

9 SENATOR HOYLMAN: Thank you.

10 And then finally, on Amazon, were you  
11 taken aback by the Amazon representatives'  
12 response to whether they would permit card  
13 check at the local City Council hearing a  
14 week or so back? Was that surprising to you  
15 that they are planning to be, at this point,  
16 nonunion?

17 COMMISSIONER ZEMSKY: I think their  
18 position, as I understand their position, is  
19 they're in support of employees making their  
20 own decisions. So I think they respect  
21 employees' rights to organize a union, and  
22 they respect their own rights to communicate  
23 directly with their employees. So I think  
24 there's well-established laws about, you

1 know, organizing a union and they support  
2 those laws. And I think they respect the  
3 employees' right to organize.

4 SENATOR HOYLMAN: That's not exactly  
5 what they said at that hearing. And I think  
6 it raises a lot of concerns that they're  
7 coming into New York City with a decidedly  
8 non-union mindset, which of course would  
9 replicate what they have done elsewhere.

10 And as a New Yorker, I don't think we  
11 should be subsidizing a company with that  
12 kind of attitude toward working men and  
13 women.

14 I hope you continue to have  
15 conversations with them so they can publicly  
16 move from that position. Because as it  
17 stands now, that is -- I think it's a glaring  
18 problem in this memorandum of understanding.

19 COMMISSIONER ZEMSKY: No, I'm a  
20 hundred percent confident that Amazon is in  
21 favor of the employees' -- respectful of the  
22 employees' decision as to whether or not they  
23 want to join a union or not. There are  
24 well-established laws in the states and the

1 country about organizing. And they don't  
2 want to have their rights taken away, and  
3 they don't want employees' rights taken away.

4 SENATOR HOYLMAN: I think the issue is  
5 how they block that, whether they require  
6 that to go to the National Labor Relations  
7 Board, how they drag it out. And you know  
8 that that's often the case with employers,  
9 that they can -- while they can -- of course  
10 they're not going to break the law, they're  
11 not going to make it easy for the workforce  
12 to unionize.

13 CHAIRWOMAN KRUEGER: Thank you.

14 SENATOR HOYLMAN: Thank you.

15 CHAIRWOMAN KRUEGER: Thank you.

16 Assemblymember Robin Schimminger.

17 ASSEMBLYMAN SCHIMMINGER: You know, I  
18 was listening to Chairperson Weinstein's  
19 question about the REDCs and the companies  
20 that benefit from REDC funding and  
21 commitments those companies make to create  
22 jobs. And she was asking, Well, how can I  
23 find out, where can I go to find whether  
24 they've actually performed? And there was

1 some colloquy up here at the table.

2 But how nice it would be if someday  
3 you might not be able to say "All you have to  
4 do, Chairperson Weinstein, is go to our New  
5 York State database of deals." That's -- and  
6 it would be, of course, a comprehensive and  
7 reliable database of deals, reflective of  
8 what's contained in a statute. Okay?  
9 Similar to the legislation that the Senate  
10 and I have on the books now.

11 And we look forward, as we discussed  
12 before, to the Executive collaborating with  
13 this and finalizing some legislation.

14 I would like to announce today that  
15 I'd be happy to name this database of deals  
16 the Howard Zemsky Database of Deals --

17 (Laughter.)

18 ASSEMBLYMAN SCHIMMINGER: Let me ask  
19 you about, if I may, Amazon. We've already  
20 done a lot of comparing and contrasting the  
21 Amazon deal with RiverBend, Solar City,  
22 et cetera.

23 Amazon is so huge -- \$1.2 billion in  
24 Excelsior tax credits, right? Right? There

1 is a provision in our Economic Development  
2 Law, Section 359, that puts a cap on the  
3 availability of Excelsior tax credits. It  
4 goes year by year, shrinks down over time.  
5 I'm wondering whether the provision of these  
6 Excelsior tax credits to Amazon is so big  
7 that it gobbles all the available Excelsior  
8 tax credits, leaving out other companies  
9 around the state who might seek to benefit  
10 from Excelsior tax credits. And might it  
11 therefore be necessary for y'all to come back  
12 to the Legislature and get a change in  
13 Section 359 of the Economic Development Law?

14 COMMISSIONER ZEMSKY: Yes. I mean,  
15 over time -- these incentives are spread out  
16 over 10 years, so there will come a point  
17 where it would happen anyway where -- and I  
18 think the Legislature in the past has.

19 But I would just say that the  
20 Excelsior tax credit is kind of our  
21 bread-and-butter economic development tax  
22 credit, which is very much  
23 pay-for-performance and I think has had a  
24 positive impact.

1           But yeah, there will be a day when,  
2           with or without Amazon, the Legislature would  
3           have to make a decision about extending or  
4           increasing, over time, the Excelsior tax  
5           credits.

6           ASSEMBLYMAN SCHIMMINGER: And I would  
7           think that with Amazon, that day will come  
8           much more quickly than otherwise, because --  
9           for example, in 2019, the chart shows \$183  
10          million in tax credits available. The next  
11          year the same, the next year the same. In  
12          2022, it drops down to 133. It drops again  
13          to 83. Drops again to \$36 million available  
14          in that year of 2024. The program ends in  
15          2030.

16          So you've got a shrinkage in the  
17          program, you've got a huge use now with  
18          Amazon, and the concern is that that may  
19          crowd out other projects, upstate --

20          COMMISSIONER ZEMSKY: Yeah. No, I  
21          think the Legislature would have -- I would  
22          think the Legislature would want to increase  
23          the availability of Excelsior tax credits  
24          over time.

1           These are, again, profoundly positive  
2           return on whatever you want to call it --  
3           credit, costs, however you define it, it  
4           doesn't matter. It just has a tremendously  
5           positive return.

6           ASSEMBLYMAN SCHIMMINGER: And so the  
7           administration would come back to the  
8           Legislature to ensure the continuation of  
9           those credits into the future, which credits  
10          might well be some of the credits benefiting  
11          Amazon down the road.

12          Thank you.

13          CHAIRWOMAN KRUEGER: Thank you.

14          Senator Jim Seward for second.

15          SENATOR SEWARD: Yes, staying on the  
16          Amazon question, my question is about the --  
17          you mentioned capital monies for the  
18          construction, I guess, of the facility.  
19          Could you share with us where -- what's the  
20          source of that capital money that's going  
21          into the Amazon deal and project?

22          COMMISSIONER ZEMSKY: So it would be  
23          to be determined. There won't be any capital  
24          funds in -- there won't be any capital funds



1           certainly of consequence in the next couple  
2           of years. And then to be determined.

3                     SENATOR SEWARD: Well, for the record,  
4           I think it's great that Amazon is coming to  
5           New York. I'd like it even better if you  
6           could get a warehouse or something up in my  
7           district, I'd like it even better.

8                     (Laughter.)

9                     SENATOR SEWARD: And speaking of that,  
10          I had a question regarding, you know, the  
11          upstate economy. I think it's great that you  
12          cited some increase in population in the City  
13          of Buffalo, and I think you mentioned  
14          Rochester. But there are vast, vast parts of  
15          upstate New York that are actually losing  
16          population, and I think primarily because of  
17          a lackluster economy. People leave to pursue  
18          better economic opportunities elsewhere.

19                    And -- so it begs the question to  
20          ESDC, I mean, what can be done to try to  
21          change our strategy in terms of economic  
22          development in these vast parts of upstate  
23          New York to allow them to participate in the  
24          economic revival?

1           COMMISSIONER ZEMSKY: Yeah, vast parts  
2 of upstate New York have been participating.  
3 By and large, I mean, it's -- unemployment's  
4 been cut in half across upstate New York, and  
5 it's a much different economic environment  
6 than it was not that many years ago.

7           But, you know, unless, you know, we go  
8 back to subscribing to some silver bullet  
9 philosophy, which I think doesn't work,  
10 continuing to invest in people, in downtowns,  
11 continuing to invest in tradable sectors of  
12 the economy. Which is why I think things  
13 like Excelsior tax credits are important in  
14 having economic development incentives to  
15 keep companies, to foster investment,  
16 investments in innovation, in technology,  
17 business plan competitions.

18           You know, we're investing in colleges  
19 and universities, we're doing a lot  
20 holistically to improve the environment for  
21 business in upstate. Fiscal responsibility,  
22 we've been way better fiscal stewards than we  
23 were. Investing in infrastructure, in  
24 airports, in roads.

1           You know, it's -- there isn't any one,  
2           but all, taken together -- lowering taxes.  
3           We have, you know, no taxes for  
4           manufacturers. We have the lowest tax rates  
5           we've had in many decades. I think all of  
6           those factors together have the best chance  
7           of success.

8           SENATOR SEWARD: Thank you for your  
9           response.

10          CHAIRWOMAN KRUEGER: Thank you.

11          CHAIRWOMAN WEINSTEIN: Assemblyman  
12          Barclay.

13          ASSEMBLYMAN BARCLAY: Thank you.

14          Commissioner, at risk of getting  
15          caught up in minutiae, there's been a lot of  
16          comments here or concern about the RiverBend  
17          project. And you mentioned now you think  
18          they have 700 jobs. You may have seen an  
19          article out there, they are employees at the  
20          plant that are questioning whether there are  
21          actually 700 jobs there.

22          Obviously we're concerned if they  
23          don't meet their jobs amount, they're going  
24          to be penalized 44 -- or \$40 million,

1 approximately. What is ESDC doing to confirm  
2 that there are those jobs that you say there  
3 are or the companies say there are?

4 COMMISSIONER ZEMSKY: Yeah, so we are  
5 able to get information from them when we're  
6 doing grant disbursement agreements, and  
7 we're able to get information from sister  
8 agencies in the state with respect to  
9 employment. So --

10 ASSEMBLYMAN BARCLAY: Like payroll  
11 records, is that -- I mean --

12 COMMISSIONER ZEMSKY: Yeah, things of  
13 that nature.

14 ASSEMBLYMAN BARCLAY: Okay. Has that  
15 employment gone up or down, or is it slowly  
16 growing or --

17 COMMISSIONER ZEMSKY: It has grown --  
18 by and large, it has grown fairly steadily in  
19 recent years. Some of it is Tesla, and some  
20 of it is Panasonic.

21 ASSEMBLYMAN BARCLAY: Okay, thanks.

22 Just quickly, in one of the Governor's  
23 economic development funds, NY Works, he's  
24 asking -- am I correct he's asking for

1 another \$220 million in spending authority in  
2 his proposed budget?

3 COMMISSIONER ZEMSKY: Yes. Yeah.

4 ASSEMBLYMAN BARCLAY: My  
5 understanding, he currently has \$500 million  
6 already in spending authority. Why does he  
7 need another \$220 million?

8 COMMISSIONER ZEMSKY: I'm not familiar  
9 with the \$500 million in spending authority,  
10 so I can't answer.

11 We've been using that money for  
12 economic-development-related projects over  
13 the years, so I think it's been put to good  
14 use.

15 ASSEMBLYMAN BARCLAY: Understood.

16 So is the 220 the same as what the ask  
17 was last year?

18 COMMISSIONER ZEMSKY: I believe so.

19 ASSEMBLYMAN BARCLAY: Okay. Thank  
20 you.

21 CHAIRWOMAN KRUEGER: Thank you.

22 CHAIRWOMAN WEINSTEIN: Senate?

23 CHAIRWOMAN KRUEGER: No, I believe the  
24 Senate's done.

1                   CHAIRWOMAN WEINSTEIN: And the  
2 Assembly is done.

3                   CHAIRWOMAN KRUEGER: Oh. Oh, I'm  
4 sorry, Tom. We've just been joined by  
5 Senator Tom O'Mara.

6                   Did you come to get your five minutes  
7 with Mr. Zemsky?

8                   SENATOR O'MARA: I did not. I came to  
9 hear Howard's jokes, and --

10                   (Laughter.)

11                   CHAIRWOMAN KRUEGER: So he can offer  
12 those to you outside.

13                   No, we're not doing Round 3. I'm  
14 sorry, John, we can't open that up.

15                   So we're going to thank you very much  
16 for your time this morning --

17                   COMMISSIONER ZEMSKY: Thank you.

18                   CHAIRWOMAN KRUEGER: -- and excuse you  
19 from the hearing. And Senator O'Mara can  
20 grab you in the hall and you can entertain  
21 him --

22                   COMMISSIONER ZEMSKY: All right,  
23 thanks so much.

24                   CHAIRWOMAN KRUEGER: -- because that's

1 what you're here for.

2 (Laughter.)

3 CHAIRWOMAN KRUEGER: Apparently that's  
4 what he's here for.

5 And I'm going to call up, next, RoAnn  
6 Destito, commissioner, New York State of  
7 General Services.

8 (Off the record.)

9 CHAIRWOMAN KRUEGER: All right, we'll  
10 hope the Economic Development chair and his  
11 crowd move on. Just so conversations go  
12 outside.

13 Hello, how are you?

14 COMMISSIONER DESTITO: Good afternoon.

15 CHAIRWOMAN KRUEGER: Good afternoon.

16 So actually the first time we told you you  
17 were going to be here we were sort of right.

18 COMMISSIONER DESTITO: You were right.  
19 One o'clock.

20 CHAIRWOMAN KRUEGER: One o'clock,  
21 that's what we told you.

22 Anyway, thank you for being here with  
23 us today.

24 COMMISSIONER DESTITO: Good to be

1 here.

2 CHAIRWOMAN KRUEGER: Thank you.

3 We're getting there. Feel free to  
4 start. We have your testimony here.

5 COMMISSIONER DESTITO: Thank you.

6 Good morning, Chairs Krueger and  
7 Weinstein, Ranking Members Seward and  
8 Barclay, and distinguished members of the  
9 committee. I am pleased to be here today to  
10 provide testimony about the Office of General  
11 Services. I'm joined by Brad Allen, my  
12 deputy commissioner and general counsel.

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

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



1 Executive Department agencies throughout the  
2 state.

3 OGS provides architectural,  
4 engineering, contracting, and construction  
5 management services to over 50 state agency  
6 clients with a current workload of  
7 \$700 million in active construction projects  
8 and another \$1 billion in design development.

9 Additionally, OGS provides vital  
10 emergency response and recovery support  
11 following floods, fires, weather disasters,  
12 and more, and we do this 24 hours, seven days  
13 a week, 365 days a year.

14 We manage a portfolio of approximately  
15 1,500 centralized contracts for commodities,  
16 services, and technology valued at  
17 \$26.8 billion used by state agencies and over  
18 7,500 authorized users made up of local  
19 governments, schools, and not-for-profits.  
20 We also provide transactional back-office  
21 administration services for finance and human  
22 resources for nearly all the executive  
23 agencies through the Business Services Center  
24 and administer the Service Disabled

1 Veteran-Owned Business program.

2 In addition, OGS delivers support  
3 services for agencies including fleet  
4 management, printing and mail services, food  
5 distribution, warehousing, surplus property  
6 disposition, and we aggregate and manage the  
7 purchase of energy resources and insurance.  
8 We also administer the visitor experience at  
9 the Capitol and Empire State Plaza, and we  
10 issue easements and grant licenses and  
11 permits for the use of uplands and lands  
12 under water.

13 Currently, we have 1,812 full-time and  
14 272 hourly staff supporting OGS operations in  
15 all the state's 10 regions.

16 I would like to offer some more detail  
17 on a few of the services that OGS provides.

18 The Business Services Center is an  
19 enterprise-wide shared services program  
20 established in 2012 to centralize and  
21 streamline back-office transactions for all  
22 New York State Executive agencies. Today the  
23 BSC serves 53 agencies for HR services and  
24 65 agencies for finance services, supporting

1           nearly 45,000 employees. The BSC is planning  
2           to serve new finance customers after the SFS  
3           procure-to-pay upgrade and new HR customers  
4           after the human resource management system,  
5           the HRMS, implementation. Putting new  
6           technology in place will be key to service  
7           delivery for the BSC.

8                     Our procurement services group  
9           continues to lead the way in new and  
10          innovative procurements. They maintain the  
11          largest IT catalog contracts in the country,  
12          attracting both New York-based small, MWBE,  
13          and SDVOB businesses, as well as many of the  
14          largest technology companies in the world.  
15          New contracts such as walk-in building  
16          supplies and electronic vehicle supply  
17          equipment combine our commitment to moving  
18          the state's principles and technology forward  
19          at the same time.

20                    The state spent more than \$1.5 billion  
21          against OGS centralized contracts for state  
22          agencies alone last year. These contracts  
23          continue to reduce bureaucracy and streamline  
24          the delivery of commodities and services

1 statewide. In fact, this year New York  
2 contracts were leveraged by other states all  
3 over the nation to provide their core  
4 services to taxpayers.

5 Moving on to real estate, OGS is  
6 responsible for the administration and daily  
7 operations of 176 state-owned buildings and  
8 structures totaling over \$7 billion in  
9 assets, serving approximately 30,000 tenants  
10 and thousands of visitors statewide. Since  
11 the beginning of this administration, the  
12 agency performed 829 capital projects and  
13 2,450 preventive maintenance and  
14 rehabilitation/improvement projects to  
15 properties and buildings that had significant  
16 deferred maintenance.

17 Since we started looking at how to  
18 utilize state-owned and leased office space  
19 more efficiently in 2011, the implementation  
20 of new space standards and restacking have  
21 resulted in over \$114 million in net savings.  
22 We are now taking space utilization to the  
23 next level through the Office Space  
24 Optimization Initiative. Rather than restack

1 office space once a decade, the Optimization  
2 Initiative enables OGS to invest in our owned  
3 facilities, continuously analyze owned and  
4 leased office space utilization, create and  
5 execute space renovation projects, and  
6 right-size the leased and owned portfolios,  
7 which will yield greater occupancy rates and  
8 realize substantial real estate cost savings.

9 In addition to managing space, we also  
10 build it and conduct project permitting with  
11 the OGS Design and Construction team, and we  
12 serve state agencies including DOCCS, OMH,  
13 State Police, DMNA, and Ag & Markets. D&C  
14 typically responds to 300 vital agency  
15 construction emergency declarations each  
16 year, with payments averaging \$40 million.

17 In an effort to expand savings and  
18 efficiencies for New York State taxpayers,  
19 OGS would like the Legislature to consider  
20 granting expansion of its design-build and  
21 construction-manager-at-risk authority.

22 The design-build project delivery  
23 method combines architectural and engineering  
24 design services with construction performance

1 under one contract, simplifying and speeding  
2 up the project delivery process, allowing the  
3 state to do more with less dollars. Members  
4 of the state workforce would continue to play  
5 an integral role in the utilization of these  
6 flexible construction options. Senior  
7 project managers would oversee each project,  
8 and additional state staff would be  
9 responsible for reviewing design for  
10 compliance and constructability and managing  
11 the contractors throughout the process.

12           Following the 2017-2018 budget, OGS  
13 was given design-build authority on a  
14 project-specific basis to include Phase II of  
15 the State Fair revitalization. The design  
16 and construction of this Expo Center for  
17 \$63 million was successfully procured and  
18 awarded in the same year, 2017, with  
19 construction beginning in December 2017. And  
20 the building was opened just eight months  
21 later, in time for the Great New York State  
22 Fair of 2018.

23           Design-build allowed the state to  
24 implement a full design and construction

1 schedule in less than a year. Without it,  
2 this project would typically have taken  
3 several years to design, procure, and build.

4 Granting OGS full-scale design-build  
5 authority would allow parity for OGS to  
6 consider such alternative delivery methods,  
7 just as other comparable construction  
8 agencies do, including the DOT, Parks and  
9 Recreation, and the Department of  
10 Environmental Conservation.

11 OGS's service delivery would also  
12 benefit by the Legislature's approval of  
13 granting OGS the authority to deliver  
14 projects utilizing the construction manager  
15 at risk method. This method includes the  
16 procurement of a design firm followed by a  
17 construction management firm during the  
18 design phase that will ultimately construct  
19 the project, many times with overlapping  
20 design and construction, similar to the  
21 design-build method.

22 Both alternative project delivery  
23 methods of design-build and CM at risk would  
24 be another tool in the toolbox.

1           Our success implementing the  
2           Service-Disabled Veteran-Owned Business Act  
3           continues, and I'm hopeful that the  
4           Legislature will continue to support this  
5           program for another five years as proposed in  
6           the budget. Since the program's inception,  
7           over \$124 million in contract awards have  
8           been reported to OGS, and more than  
9           \$97 million has been disbursed to SDVOBS to  
10          date.

11          We also have done an excellent job  
12          growing businesses. In 2011, the  
13          OGS-eligible MWBE utilization was 14 percent,  
14          and we're now proud to say our goal is at  
15          30 percent. We've reached the goal and  
16          exceeded the goal of 30 percent. As an  
17          example, in that time MWBEs have received in  
18          excess of \$538 million from contracts  
19          associated with our design and construction  
20          group alone.

21          For the quarter ending September 30,  
22          2018, disbursements almost doubled from the  
23          same quarter of the prior year to almost  
24          \$19 million, and OGS has achieved over



1           6 percent in SDVOB utilization for the  
2           12 months ending September 30th.

3                   We also create a special visitor  
4           experience as part of our core business, and  
5           we have welcomed over 470,000 people to the  
6           State Capitol, the Executive Mansion, and the  
7           Corning Tower Observation Deck. We have  
8           welcomed approximately 83,000 skaters since  
9           reopening the Plaza Rink after it was closed  
10          for three years.

11                   And I would like to thank the  
12          hardworking and dedicated team at the Office  
13          of General Services because I am honored to  
14          represent them as commissioner. Their  
15          service to the people of New York State never  
16          wavers and can be counted on at all times.

17                   Thank you for listening to my  
18          testimony, and I'm happy to take any  
19          questions that you may have.

20                   CHAIRWOMAN KRUEGER: Thank you.

21                   Senator Jim Seward.

22                   SENATOR SEWARD: Well, good afternoon,  
23          Commissioner.

24                   COMMISSIONER DESTITO: Good afternoon,

1 Senator, how are you?

2 SENATOR SEWARD: Very good.

3 COMMISSIONER DESTITO: Good.

4 SENATOR SEWARD: I just had one quick  
5 question for you. I noted in the Executive's  
6 budget proposal there was \$25 million  
7 requested for capital projects in terms of  
8 the aging infrastructure at the Harriman  
9 Campus, and also the Empire State Plaza.

10 There must be a list of projects where  
11 that money -- how that money will be used.  
12 If you could share that information with us.

13 COMMISSIONER DESTITO: Yes, we have  
14 projects and most of it is deferred  
15 maintenance projects. And really -- at the  
16 Harriman Campus, it's really a lot of  
17 underground infrastructure. We're working  
18 with the City of Albany on a sewer line and  
19 water lines and just doing things that -- on  
20 the infrastructure improvement side that we  
21 haven't been able to do.

22 And we're also continuing, as I said,  
23 our space optimization, making sure that  
24 we're not paying for outside leases when we

1 have space inside our state-owned buildings.

2 SENATOR SEWARD: In other words, the  
3 strategy is to make more space available on  
4 space that the state owns?

5 COMMISSIONER DESTITO: Yes, but also  
6 make sure that our underground infrastructure  
7 is where it needs so we don't have all the  
8 water main breaks and, you know, the things  
9 that we have every day.

10 SENATOR SEWARD: Are there capital  
11 needs here at the Empire State Plaza also?

12 COMMISSIONER DESTITO: Yes. Yes.

13 SENATOR SEWARD: Okay. Thank you.

14 CHAIRWOMAN KRUEGER: Thank you.

15 Assembly?

16 CHAIRWOMAN WEINSTEIN: So I don't  
17 think we have questions. I just want to  
18 thank you for always being responsive to  
19 members' requests and needs.

20 COMMISSIONER DESTITO: Of course.

21 CHAIRWOMAN WEINSTEIN: And I'm glad we  
22 were able to coordinate the timing with you a  
23 little better today.

24 COMMISSIONER DESTITO: Yes, thank you.

1 We do appreciate it. Thank you.

2 CHAIRWOMAN WEINSTEIN: Thank you for  
3 all the work your agency does.

4 COMMISSIONER DESTITO: Thank you.

5 CHAIRWOMAN KRUEGER: I do have a  
6 question.

7 COMMISSIONER DESTITO: Sure, Senator.

8 CHAIRWOMAN KRUEGER: Also appreciate  
9 your hard work.

10 So you referenced MWBE stats for I  
11 guess the build-design section of the work.  
12 Overall, I mean on all your contracts, do you  
13 follow MWBE --

14 COMMISSIONER DESTITO: Yes.

15 CHAIRWOMAN KRUEGER: -- for  
16 commodities as well?

17 COMMISSIONER DESTITO: Yes, they're on  
18 all of our design and construction contracts,  
19 and they're all on our -- actually we put  
20 them on as many of our centralized contracts  
21 as possible.

22 CHAIRWOMAN KRUEGER: So you do think  
23 your --

24 COMMISSIONER DESTITO: We've exceeded

1 the 30 percent almost --

2 CHAIRWOMAN KRUEGER: You have.

3 COMMISSIONER DESTITO: -- every year,  
4 yes.

5 CHAIRWOMAN KRUEGER: And do you follow  
6 any policies to try to prioritize buying  
7 local, buying New York State products?

8 COMMISSIONER DESTITO: Yes, we do.  
9 Especially food products, yes, we do. And we  
10 make sure that even on our centralized  
11 contracts, our larger food distributors  
12 always have to identify New York-grown foods.

13 And we also have a project that we've  
14 partnered with the federal government, we're  
15 hoping that it gets extended, where we're  
16 providing fresh produce to schools using USDA  
17 money.

18 CHAIRWOMAN KRUEGER: I'm familiar with  
19 that. So I'm glad you're doing that.

20 COMMISSIONER DESTITO: Yes. Yes.

21 CHAIRWOMAN KRUEGER: So -- I'm sorry,  
22 just going back to your testimony, so you  
23 contract out about \$26.8 billion -- you  
24 purchase that much for New York State

1 agencies a year?

2 COMMISSIONER DESTITO: Yeah. They use  
3 our centralized contracts. We don't  
4 purchase, but they use our contracts.

5 CHAIRWOMAN KRUEGER: So these are all  
6 companies that have gone through some kind of  
7 vetting process by the state, I might even  
8 argue sort of a Good Housekeeping seal of  
9 approval?

10 COMMISSIONER DESTITO: We have a  
11 strong vendor responsibility at OGS, and we  
12 use it on every vendor.

13 CHAIRWOMAN KRUEGER: And is there a  
14 way to publicly list all these companies?  
15 Let's say I'm a company and I'm not the State  
16 of New York, but I'm looking for somewhere to  
17 buy in New York products A, B, C, D, E. And  
18 if I knew that they were selling to the State  
19 of New York I might say, oh, this is a  
20 legitimate company I could be confident in  
21 exploring using. It might be a valuable  
22 service to others.

23 COMMISSIONER DESTITO: We are -- first  
24 of all, let me just say that on our design

1 and construction website, especially during  
2 emergencies, we do publicize -- we don't  
3 allow everybody to purchase, you have to be  
4 an authorized user to purchase through.

5 But we do indicate -- and we go out  
6 and train communities that when they're in an  
7 emergency, we do have pre-vetted businesses  
8 that we have done business with. Especially  
9 in emergencies, we want to make sure that  
10 they're not being, you know, overcharged.  
11 And there is a list of businesses they can do  
12 business with on regular basis. And we make  
13 sure that it's on our website.

14 So for what you're saying, yes, we do  
15 provide a lot of that information. And  
16 through technology, we are upgrading our  
17 technology to allow for more access to our  
18 contracts in a more -- I call it a not so  
19 legalese way. We want just a fair and open  
20 and accountable way to look at our contracts.  
21 So it's called our vendor portal, and we're  
22 in the process of putting it in place.

23 CHAIRWOMAN KRUEGER: Great. I'm glad  
24 to hear that.

1           One of my colleagues earlier asked  
2           Howard Zemsky to expand internet on the  
3           trains. I just want you to ask somebody to  
4           look at the heat in the ladies room down  
5           here.

6           (Laughter.)

7           COMMISSIONER DESTITO: The heat in the  
8           ladies room down here?

9           CHAIRWOMAN KRUEGER: Yeah. There is  
10          none.

11          COMMISSIONER DESTITO: Sure, we will.  
12          We absolutely will.

13          CHAIRWOMAN KRUEGER: If the men's room  
14          has an issue, you should share also.

15          Okay, thank you so much.

16          COMMISSIONER DESTITO: We'll check  
17          both the men and ladies rooms.

18          CHAIRWOMAN KRUEGER: Thank you for  
19          your testimony today.

20          SENATOR LIU: (Inaudible.)

21          COMMISSIONER DESTITO: The 8th floor?  
22          The LOB?

23          CHAIRWOMAN KRUEGER: We're losing our  
24          minds down here.



1           COMMISSIONER DESTITO: Okay, we'll  
2 look at that too.

3           CHAIRWOMAN KRUEGER: Thank you very  
4 much. Thank you for being here.

5           COMMISSIONER DESTITO: Thank you very  
6 much.

7           CHAIRWOMAN WEINSTEIN: Thank you,  
8 RoAnn, for being here.

9           I just wanted to say that we were  
10 joined by Assemblyman Charles Lavine.

11           (Discussion off the record.)

12           SENATOR KRUEGER: Next up, the  
13 New York State Economic Development Council,  
14 followed by Consumer Reports, just for people  
15 to get ready.

16           And now we get to the part of the  
17 hearing where testifiers get 5 minutes to  
18 testify; chairs, if any have survived, get  
19 5 minutes to ask questions, others get  
20 3 minutes.

21           So is New York State Economic  
22 Development Council here? Here you are,  
23 okay. As I mentioned, Consumer Reports  
24 coming up next. And then if the Fund for

1 Lake George, who's merging with the Warren  
2 County Economic Development Corporation, want  
3 to get ready, they're next. Thank you.

4 Good afternoon.

5 MR. SILVA: Good afternoon, Chairwoman  
6 Krueger, Chairwoman Weinstein, members of the  
7 New York State Senate and members of the  
8 New York State Assembly. Thank you very much  
9 for the opportunity to provide some comments  
10 on the proposed Executive Budget on behalf of  
11 the New York State Economic Development  
12 Council.

13 My name is Ryan Silva. I'm the  
14 executive director. I took over for Brian  
15 McMahon, who many of you know and have worked  
16 with in prior years, who retired after  
17 leading our organization for over 20 years.

18 New York State EDC is a statewide  
19 non-for-profit membership organization  
20 representing more than 1,000 organizations  
21 and individuals that make up the broader  
22 New York State economic development  
23 ecosystem. Our mission is to advocate for  
24 economic development programs, educate our

1 members by sharing best practices and case  
2 studies, and develop sound policy to create  
3 jobs, stimulating investment that will  
4 increase the quality of life across New York  
5 State.

6 As you are aware, New York State's  
7 economy is unique and diverse. Our  
8 unemployment rate is at near historic lows in  
9 all regions, with the largest number of  
10 private-sector job growth in the history of  
11 our state. However, much of that job growth  
12 has occurred in New York City, while upstate  
13 has lagged downstate and the rest of the  
14 nation via percentage. This impacts all of  
15 New York State, leading to a declining tax  
16 base and further erosion of representation in  
17 Washington, D.C.

18 It is important to note this is not  
19 necessarily a new development. This has been  
20 occurring for a number of years. We need to  
21 look at where we are right now and where we  
22 are going from here. Right now New York  
23 State sends more money to the federal  
24 government than any other state and gets back

1 less -- 84 cents for every dollar in 2016 and  
2 90 cents for every dollar in 2017, according  
3 to the Office of the State Comptroller. This  
4 will only continue with the removal of SALT,  
5 which will adversely affect all New Yorkers  
6 who can no longer deduct state and local tax.  
7 This means we have to rely further on state  
8 taxes to offset that deficit, all while our  
9 tax base is shrinking.

10 The long-term impact of this  
11 continuing will be catastrophic for the  
12 New York State economy. There is no denying  
13 New York State is a high-cost state; we  
14 consistently rank among the highest tax  
15 burdened and least business friendly states  
16 in the country. This means that we are ever  
17 more reliant on the need for good  
18 public-private and in many cases academic  
19 partnerships, to increase economic activity  
20 and help create good jobs and projects moving  
21 forward.

22 SENATOR KRUEGER: Ryan?

23 MR. SILVA: Yes.

24 CHAIRWOMAN KRUEGER: I just wanted to

1 point out you have two minutes left, so  
2 you're not going to get there --

3 MR. SILVA: Yeah, you know, I timed  
4 this out and it's taking a little longer. So  
5 I'm going to jump ahead.

6 There are bright signs in our state  
7 economy. The unemployment rate has dropped  
8 from 9.4 percent to 3.9 percent, 9.78 million  
9 jobs, more than at any other time in our  
10 history. Cities like Buffalo, Rochester,  
11 Binghamton and Syracuse are seeing new  
12 projects, programs and industries. Workforce  
13 development is extremely important, creating  
14 the jobs of tomorrow. Providing people with  
15 a pathway to a career is something that we  
16 can all do better. This means investing  
17 broadly in workforce, not just for high-skill  
18 jobs that require advanced degrees, but  
19 middle-skill jobs that maintain the  
20 foundation for a strong economy.

21 Investment in infrastructure is  
22 critical, and transportation is vital to  
23 building sustainable, living communities.

24 With that in mind, we believe these

1 things need to be included in a final budget  
2 resolution or addressed through legislation:  
3 continued funding of the REDCs and continued  
4 investments in the Downtown  
5 Revitalization initiative, the continued  
6 phase-in of middle-class tax cuts, the  
7 permanent implementation of the property tax  
8 cap, which I know the Senate and the Assembly  
9 has already addressed.

10 Investment of an additional  
11 \$150 billion in New York State's  
12 infrastructure is critical. Shovel-ready  
13 funding to support attraction efforts across  
14 upstate New York. Launch of the \$175 million  
15 Workforce Initiative. Authority for  
16 Industrial Development Agencies to issue  
17 loans, grants, and invest in startups in  
18 their local communities.

19 An increase in funding to the CATs and  
20 the COEs, Centers for Advanced Technology and  
21 Centers of Excellence. Funding of the land  
22 bank associations across New York State is  
23 vital for removing blight and improving  
24 neighborhoods.

1           That really brings me to the end of my  
2 discussion. I would encourage you -- my  
3 longer remarks are written out. I would just  
4 add one final thing with about 30 seconds  
5 left.

6           There's a lot of discussion around  
7 expanding the definition of public works.  
8 This is something that's very concerning to  
9 the economic development community because,  
10 on average, it would increase costs by  
11 20 percent on an economic development  
12 project. In many cases this far outweighs  
13 the actual value of the benefit that a  
14 business or a project is receiving, thus  
15 rendering the project economically  
16 unfeasible.

17           We've seen two examples of that with  
18 the City of Yonkers IDA and the Ulster County  
19 IDA and have more information about that in  
20 my documentation.

21           Thank you for your time, Senator.

22           SENATOR KRUEGER: Thank you very much.

23           Any questions, Senate? Assembly?

24           We have been joined by Senator

1 Ranzenhofer. Hello.

2 Thank you very much for your time  
3 today. Appreciate your testimony.

4 MR. SILVA: Thank you very much,  
5 Senator Krueger.

6 CHAIRWOMAN KRUEGER: Thank you.

7 MR. SILVA: Thank you, Chairwoman  
8 Weinstein, as well.

9 CHAIRWOMAN WEINSTEIN: Thank you.

10 SENATOR KRUEGER: Next up, Chuck Bell,  
11 Charles Bell, from Consumer Reports.

12 And I won't have to tell you not to  
13 try to read your testimony, because it's a  
14 book here.

15 MR. BELL: Good afternoon, Chairman  
16 Krueger, Chairman Weinstein, and members of  
17 the committees.

18 I'm here today because Consumer  
19 Reports is in strong support of the  
20 provisions in Part L of the TED bill to  
21 create better New York State oversight of  
22 student loan servicing companies.

23 And specifically these provisions  
24 would authorize the New York Department of



1 Financial Services to license and regulate  
2 student loan servicing companies who service  
3 the student loans of New York residents and  
4 prohibit those servicers from various common  
5 unfair, deceptive and misleading tactics. It  
6 would also create strong standards for  
7 retention of records if a student loan  
8 servicer is purchased by another company.  
9 And the loan services will be subject to  
10 examination by our state financial regulator.

11 We believe that these provisions are  
12 badly needed, and the reason is that student  
13 loan servicers have developed a national  
14 reputation for poor customer service, as has  
15 been documented by the Consumer Financial  
16 Protection Bureau in a very important report  
17 in 2016.

18 In New York, our student loan debt has  
19 more than doubled during the last decade,  
20 growing to over \$90 billion. There's about  
21 2.3 million borrowers in New York State  
22 carrying an average debt of \$38,477. About  
23 half of our student loan borrowers in  
24 New York State are young people under 35, and

1 the existence of these high levels of debt is  
2 holding them back from things like  
3 homeownership, marriage and household  
4 formation, saving for retirements. And also  
5 given nationally that about a quarter of  
6 borrowers are in default, their credit scores  
7 are severely damaged by these bad customer  
8 service practices.

9           Studies show that student loan  
10 servicers routinely fail to tell borrowers  
11 about available relief, including  
12 income-driven repayment plans and disability  
13 discharges, and instead allow borrowers to  
14 fall into default, resulting in garnishment,  
15 tax seizures and the other hardships.

16           And one of the real ironies of this is  
17 the Government Accountability Office has  
18 found that 70 percent of borrowers in default  
19 actually qualified for a lower monthly  
20 payment through income-driven repayment plans  
21 that would cap their monthly payments at a  
22 percentage of earnings, yet servicers  
23 routinely fail to provide sufficient  
24 information to help people enroll.

1           So that's why we've come together with  
2 many other organizations in New York State.  
3 These provisions are also supported by the  
4 New Yorkers for Responsible Lending  
5 Coalition, which is about 170 organizations;  
6 also major groups like AARP, New York State  
7 United Teachers, District Council 37, Center  
8 for Independence of the Disabled, New York.

9           And these provisions have passed in  
10 the stand-alone bill in the Assembly in 2017.  
11 We understand they are popular and supported  
12 by the Democratic caucus in the Senate. So  
13 we think this is a very concrete and  
14 effective thing that you could do this year  
15 to improve oversight of student loans for  
16 New York borrowers and help advance our  
17 economy by letting these young borrowers get  
18 on their feet and move on with their lives  
19 instead of being mired in debt and default.

20           Thank you.

21           SENATOR KRUEGER: Any questions?  
22 Senate? Assembly?

23           I guess I have just have one. Why  
24 wouldn't we do this?

1           MR. BELL: I can't imagine why. I  
2 think it's a great opportunity. Five other  
3 states have already taken action, including  
4 California, Washington State, Illinois,  
5 Connecticut and the District of Columbia.

6           And for most of our financial services  
7 products, enforcement and oversight is a  
8 joint federal/state responsibility. And the  
9 federal government was doing a pretty good  
10 job under the CFPB through 2016, but now the  
11 Trump administration has really slammed on  
12 the brakes, is not looking into this and  
13 inquiring into it.

14           And so if New York State doesn't act,  
15 our consumers and customers are not going to  
16 be protected on this issue. So I think it's  
17 essential that you please pass these  
18 protections.

19           SENATOR KRUEGER: Thank you. Thank  
20 you for testifying today.

21           MR. BELL: Thank you.

22           SENATOR KRUEGER: Next up is a -- I  
23 guess they've asked to come together,  
24 The Fund for Lake George, Eric Siy, and the

1 Warren County Economic Development  
2 Corporation, Edward Bartholomew.

3 And we're giving each one five  
4 minutes, but they thought the questions might  
5 be related to both of them, so they asked to  
6 come together. So whichever of you wishes to  
7 go first.

8 MR. SIY: Thank you very much. Good  
9 afternoon.

10 CHAIRWOMAN KRUEGER: Good afternoon.

11 MR. SIY: I am Eric Siy, executive  
12 director of The Fund for Lake George.

13 And I first want to thank you for this  
14 opportunity to testify on an urgent economic  
15 and environmental priority, the need for  
16 state funding to replace the wastewater  
17 treatment plant at Lake George Village, as so  
18 ordered by state regulators.

19 The Fund, for those of who don't know,  
20 is a science-based advocacy organization  
21 founded in 1980. We apply scientific  
22 research to guide the enduring protection of  
23 Lake George, the Queen of American Lakes.  
24 And we do so in close partnership with

1 diverse constituencies, most notably local  
2 officials and business leaders, one of whom  
3 is sitting by my side, Ed Bartholomew,  
4 president of the Warren County EDC and a  
5 founding member of the Fund's Council of  
6 Business Advisors.

7           We're here together to underscore the  
8 fact that as goes the health of Lake George,  
9 so too goes the regional economy. They go  
10 hand in hand.

11           Today there is no single action more  
12 important to the environment and economy of  
13 Lake George than replacing the village  
14 wastewater treatment plant. Scientific  
15 research reveals this; state regulators  
16 require this.

17           And it was a 17-month study conducted  
18 by the Fund's Waterkeeper program that made  
19 the irrefutable case for plant replacement.  
20 The study definitively connected plant  
21 effluent to the fourth largest stream  
22 entering Lake George, West Brook, and it  
23 documented high levels of contaminants,  
24 nitrates and chloride, entering the lake --

1 hundreds of tons since the 1970s. The State  
2 Department of Environmental Conservation  
3 issued an order of consent in 2014  
4 stipulating that a new treatment plant must  
5 be complete by the fall of 2021.

6 With state funding now, this timeline  
7 is still within reach.

8 And I want to point out increasing  
9 nutrients flowing into the lake, including  
10 the many tons of nitrates from the treatment  
11 plant, feed algae growth and the potential  
12 for harmful algal blooms, HABs, as they're  
13 known. And we've all heard about them. HABs  
14 are toxic to humans, they're death to tourism  
15 when the water turns from clear and clean to  
16 pea soup green.

17 Lake George is one of 12 lakes in the  
18 state's Harmful Algal Bloom Initiative  
19 launched in 2017 -- the only one that has yet  
20 to suffer a toxic outbreak, I might add.

21 High priority projects in the HABs  
22 Action Plan for Lake George include  
23 replacement of the village treatment plant.  
24 Unlike the 11 other HABs lakes, we still have

1 the opportunity, we're in a position of  
2 preventing a toxic bloom in Lake George if we  
3 act now.

4 And I want to bring up quickly another  
5 HAB lake, Skaneateles, which is considered a  
6 sister lake to Lake George -- clean and  
7 clear, popular tourism destination, public  
8 drinking water supply, including for the City  
9 of Syracuse. Yet in 2017, to the horror of  
10 residents, officials and businesses at Lake  
11 Skaneateles, Skaneateles suffered its first  
12 toxic bloom, others have since followed.

13 So what happened? They reached a  
14 tipping point, one that Lake George can still  
15 avoid by acting today. State funding now for  
16 the Lake George treatment plant is an  
17 investment in one of the nation's natural  
18 crown jewels that will deliver returns for  
19 every generation to come.

20 I want to thank you again for this  
21 important opportunity and for your leadership  
22 at this pivotal time for our great lake.

23 Thank you very much.

24 CHAIRWOMAN KRUEGER: Thank you.



1           MR. BARTHOLOMEW: Good afternoon. My  
2 name is Ed Bartholomew, president and CEO of  
3 the Warren County Economic Development  
4 Corporation.

5           Warren County and this region of the  
6 Adirondacks has a natural asset at the core,  
7 and that is Lake George, formed by ice  
8 glaciers a few years ago, 10,000 to 12,000  
9 years ago. The lake is 32 miles long and  
10 once was described in 1791 by Thomas  
11 Jefferson as the lake "without comparison,  
12 the most beautiful water I ever saw."

13           Imagine, if you will, if natural  
14 assets in particular regions -- Central Park,  
15 no Central Park for New York City; no Falls  
16 for Niagara. The waterfalls in Ithaca or  
17 Rochester, in the area. The Erie Canal, if  
18 you will. EDC believes that this potential  
19 situation in Lake George is rapidly  
20 deteriorating if we don't have a unified  
21 force and plan at work.

22           Lake George -- I'm speaking on the  
23 economic impact on the region. The region is  
24 consisting of of six counties in the area,

1 anchored by the County of Warren, which is  
2 just about an hour away. Many of you I'm  
3 sure, or your relatives, have visited  
4 beautiful Lake George in your lifetime.

5           Statistics indicate that tourism  
6 spends \$1.4 billion in the Adirondacks,  
7 supporting over 21,000 jobs. Warren County  
8 represents 42 percent of this income --  
9 \$603 million in direct spending, with over  
10 9,000 people employed in our area.  
11 Additionally, there is \$42 million in local  
12 taxes, \$33 million in state taxes in Warren  
13 County from revenues of tourism, and  
14 \$298 million in labor income in Warren  
15 County, including indirect costs. Those  
16 counties, just for reference, besides Warren  
17 include Clinton, the Plattsburgh area; Essex,  
18 Franklin, Hamilton, and Lewis.

19           EDC is pleased to support, fully  
20 support the Village of Lake George's  
21 construction of a new wastewater treatment  
22 plant at a cost of \$22 million. Lake George  
23 Village has a year-round population of 1,000  
24 and, in the summer and the fall, 50,000

1 people are just within the Village of Lake  
2 George.

3 Unless we undertake this badly  
4 deteriorating facility now, alternatively, as  
5 Eric has pointed out, the effluent will  
6 continue to leach its way into the  
7 Lake George area, causing extensive damage  
8 environmentally to the lake.

9 So at this point I'd like to just  
10 close with a statement that failure to  
11 address this significant environmental  
12 concern collectively -- from the county, from  
13 the village, from the County of Warren and  
14 others, and the State of New York -- failure  
15 to address this significant environmental  
16 concern will result, in my opinion, in a  
17 devastating environmental and economic  
18 calamity for the Adirondacks and Warren  
19 County.

20 Your consideration is greatly  
21 appreciated. And thank you once again for  
22 this opportunity of putting us together with  
23 Eric.

24 SENATOR KRUEGER: Thank you.

1 Assembly?

2 CHAIRWOMAN WEINSTEIN: Yes,  
3 Assemblyman Stec.

4 ASSEMBLYMAN STEC: Thanks, Chairwoman.

5 I would be remiss if I didn't take  
6 this opportunity; both Mr. Bartholomew and  
7 Mr. Siy are constituents of mine. Lake  
8 George resides in my Assembly district.

9 And I just want to highlight -- first,  
10 I agree with both of them. And I'd like to  
11 point out it's not often that you have  
12 economic developers sitting literally elbow  
13 to elbow with environmental leaders, and they  
14 are in lockstep on this and many other  
15 issues.

16 And I think that -- I want to point  
17 out to my colleagues that this is an  
18 indicator of how things are in Warren County  
19 on this issue, that this is an issue that  
20 everyone across the entire spectrum  
21 recognizes is a crisis.

22 And I'm glad that Mr. Bartholomew  
23 pointed out Lake George Village's 85-year-old  
24 sewer system is under consent order, and a

1 thousand people -- and they are not all  
2 summer home owners that are up from the  
3 Hamptons. You know, these are -- this is a  
4 challenge for any community.

5 And so I'd like to thank them for  
6 making the trip today. It's not a very long  
7 one. But I want to highlight their efforts  
8 and congratulate them on their efforts for my  
9 colleagues. And thank you all for your  
10 consideration.

11 CHAIRWOMAN KRUEGER: Thank you.

12 CHAIRWOMAN WEINSTEIN: Thank you.

13 We also did hear this issue raised at  
14 the Environmental Protection hearing.

15 SENATOR KRUEGER: Actually, your mayor  
16 came --

17 MR. SIY: Yes, Mayor Blais.

18 MR. BARTHOLOMEW: Mayor Blais.

19 MR. SIY: The one and only.

20 CHAIRWOMAN KRUEGER: Yes, and we  
21 discussed then that the good news is the  
22 Governor has put in an additional  
23 \$2.5 billion for clean water infrastructure  
24 into this year's budget, and that the issue

1           that you are attempting to get funding for  
2           seems to be a perfect match to apply for  
3           these funds. So I encouraged the mayor to  
4           apply in the new round of funding.

5           MR. BARTHOLOMEW: Thank you.

6           MR. SIY: Thank you, Senator.

7           CHAIRWOMAN KRUEGER: Because I don't  
8           speak for anyone but myself, but I find it  
9           unlikely the Legislature is going to take  
10          those funds out of the budget. I think if  
11          you were to ask, everyone is hearing about  
12          clean water infrastructure issues throughout  
13          every region of the state.

14          So thank you very much for being here  
15          today.

16          MR. BARTHOLOMEW: Thank you, Senator.

17          MR. SIY: Thank you very much for the  
18          opportunity.

19          CHAIRWOMAN WEINSTEIN: We have one  
20          more.

21          MR. SIY: Please.

22          CHAIRWOMAN WEINSTEIN: Assemblyman  
23          Lavine.

24          ASSEMBLYMAN LAVINE: Thanks, of

1 course, for fighting for Mother Nature.

2 So you're requesting -- your request  
3 is for \$6 million. But I understand the cost  
4 to redo the treatment center is 18. Where's  
5 the other 12 going to come from? Bonding  
6 or -- and if so, who's got the authority to  
7 do the bonding?

8 MR. BARTHOLOMEW: The actual cost has  
9 been addressed now to \$22 million. The  
10 village has been the recipient of some prior  
11 funding through the advocacy of Assemblyman  
12 Dan Stec and Senator Betty Little and the  
13 entire Senate and Assembly and  
14 Governor Cuomo. There's still a shortage of  
15 approximately 6 to 8, \$10 million.

16 We realize that the responsibility --  
17 and the village is ready to bond. But again,  
18 a capacity of only a thousand residents makes  
19 it very difficult and unaffordable also, from  
20 the State Comptroller's view of the situation  
21 here. So we are seeking this additional  
22 funding as well of \$6 million.

23 SENATOR KRUEGER: Thank you again for  
24 being with us today. Appreciate it.

1           MR. SIY: Thank you, Senator, very  
2 much.

3           CHAIRWOMAN KRUEGER: And as the next  
4 group walks up, which is the -- they have a  
5 very long list of names. Department of  
6 Atmospheric and Environmental Sciences -- I'm  
7 going to skip all the other sentences --  
8 Chris Thorncroft and Jan Woodcock.

9           And for people who are curious about  
10 when the Tax budget hearing will start, we're  
11 estimating 2 o'clock, an hour from now, for  
12 the beginning of the second hearing of the  
13 day. So for those of you who thought you  
14 were here for now, you can stretch. Have  
15 lovely food in the cafeteria. And we'll  
16 start at 2:00 for the second hearing.

17           And welcome. Thank you for being with  
18 us today.

19           DR. THORNCROFT: On behalf of the  
20 University at Albany, State University of  
21 New York, I would like to thank Chairpersons  
22 Krueger and Weinstein for being able to talk  
23 to you today, and I would also like to thank  
24 Economic Development Chairs Assemblymember



1 Robin Schimminger and Senator Anna Kaplan and  
2 the entire committee for the opportunity to  
3 address you about the University's NYSTAR  
4 Center of Excellence in Atmospheric and  
5 Environmental Prediction and Innovation.

6 I would also like to take this  
7 opportunity to thank the Governor and State  
8 Legislature for this center's designation,  
9 and our representatives, particularly  
10 Assemblymember Pat Fahy for her leadership  
11 and support in helping to secure \$250,000 in  
12 seed funding for this center four years ago,  
13 and to both Senator Neil Breslin and  
14 Assemblymember Fahy for their continued  
15 support in securing this funding each year  
16 since. We aspire to be fully funded at the  
17 \$1 million level in the near future, a level  
18 on par with the majority of our sister  
19 Centers of Excellence across the State.

20 So I am Dr. Chris Thorncroft. I'm  
21 interim director of the Atmospheric Sciences  
22 Research Center and director of the Center of  
23 Excellence. And joining me today is my  
24 colleague, Jan Woodcock, executive director

1 of weather innovation at UAlbany's Center of  
2 Excellence.

3 I'd like to say in part that UAlbany  
4 is home to the largest concentration of  
5 atmospheric scientists in New York State and  
6 one of the largest and most prominent in the  
7 country, something to be proud of.

8 Designated a NYSTAR Center of  
9 Excellence in 2015, UAlbany's Center of  
10 Excellence is the state's entrepreneurial hub  
11 for all things having to do with weather,  
12 including a network of 120 weather and  
13 climate faculty, researchers, and research  
14 staff based at UAlbany. Together these  
15 leading scientists are deeply engaged in  
16 advancing innovative weather and climate  
17 research applications with a variety of  
18 New York-based industries representing  
19 utilities; renewable energy; emergency  
20 management and transportation, including  
21 road, rail, and air, as well as drones.

22 We work with industry partners to  
23 solve R&D problems, return economic benefits,  
24 create new jobs, and retain current jobs from

1 leaving New York State. Through the Center  
2 of Excellence, businesses have direct access  
3 to arguably the most advanced weather and  
4 climate industry-focused ecosystem in the  
5 nation.

6 And a few important aspects of what we  
7 have to offer that I'd like to highlight  
8 briefly. We have the New York State Mesonet,  
9 which is the nation's gold standard of  
10 weather observation systems. Championed by  
11 Governor Cuomo in 2014, the Mesonet is a key  
12 resource for UAlbany's Center of Excellence,  
13 with its network of 180 weather stations  
14 across New York, with one in every county.

15 We are very proud to have the Emerging  
16 Technologies and Entrepreneurship Complex, a  
17 state-of-the-art R&D facility which is  
18 currently under construction and will serve  
19 as the new home of our entire weather  
20 enterprise in 2020. Approved by the  
21 Governor, this R&D facility will for the  
22 first time collocate under one roof our  
23 Atmospheric Sciences Research Center, the  
24 Department of Atmospheric and Environmental

1 Sciences, the Department of Environmental and  
2 Sustainable Engineering, the New York State  
3 Mesonet, the xCITE Visualization Lab, the  
4 Calibration Laboratory, and potentially  
5 amendable space for the weather industry and  
6 the National Weather Service. It's a true  
7 hub of activity in the weather regime.

8 We have dozens of public-private  
9 partnerships with weather sensitive  
10 organizations. And finally, I'd like to note  
11 that UAlbany's weather enterprise has  
12 attracted more than \$120 million in  
13 extramural funding for weather and climate  
14 related research over the past 15 years, and  
15 all of this is feeding into the ecosystem for  
16 the benefit of industry.

17 Altogether, our weather analytics  
18 ecosystem is truly unprecedented and  
19 critically important for New York business  
20 and industry. In fact, New York is one of  
21 the most economically vulnerable states in  
22 the U.S. to weather, and we are trying to  
23 address that.

24 I'd like to pass on to Jan Woodcock,

1 who will now share some of the ongoing  
2 activities that the COE is doing.

3 MR. WOODCOCK: Thank you, Chris.

4 The Center of Excellence drives  
5 innovation in the use of weather-smart  
6 information in public and private  
7 organizations, helping them manage weather  
8 risk.

9 Digital disruption is a reality in our  
10 economy today. The analytics to manage  
11 weather risk are part of today's digital  
12 solutions. Weather analytics and artificial  
13 intelligence drive next-generation  
14 weather-smart solutions that grow businesses,  
15 create jobs, and expand the economy of New  
16 York State. The COE puts weather solutions  
17 in the hands of industry partners across the  
18 state to empower them to make smarter weather  
19 risk management decisions.

20 Some examples include utilities where  
21 we are actually helping them with outage  
22 management models, renewable energy where we  
23 are working with NYISO to actually support  
24 the understanding of solar and wind

1 transmission productivity, and we are working  
2 with numerous Fortune 100 companies in areas  
3 such as power controls technology, wind  
4 turbines, microgrids, agriculture, drones,  
5 artificial intelligence, and other  
6 weather-smart solutions.

7 We are working with airlines, rail  
8 organizations, and transportation  
9 organizations as it relates to our roads and  
10 highways. We are also working with schools  
11 and the Capital Region BOCES around school  
12 closing management, which is actually  
13 appropriate today.

14 And in short, we're laying the  
15 foundation to transform weather in one of  
16 New York's most dynamic, high-impact, and  
17 job-creating economies.

18 DR. THORNCROFT: So in wrapping up, it  
19 would be remiss of me not to say something  
20 about the weather that's going on at the  
21 moment. We're expecting five to six inches  
22 of snow as we speak. Businesses are making  
23 decisions about how to deal with that, both  
24 in terms of emergency management but also in

1 terms of saving money to run their  
2 businesses.

3 And before we close today, I would  
4 like to take this opportunity to personally  
5 invite each one of you to visit our Center of  
6 Excellence and Weather Enterprise at the  
7 University at Albany which is just down the  
8 road. Again, we have a Mesonet station in  
9 every county, and we would like to show how  
10 that station and all of this enterprise is  
11 affecting your constituents.

12 Once again, thank you for the  
13 opportunity to share this today, the progress  
14 being made under the Center of Excellence.  
15 We look forward to working with you in the  
16 weeks and months ahead as we strive to  
17 continue to accelerate weather-smart economic  
18 growth in the State of New York.

19 CHAIRWOMAN WEINSTEIN: So thank you.  
20 We don't have any questions for you. Thank  
21 you for being here today.

22 Before I call the next witness, we  
23 were joined a little while ago by  
24 Assemblywoman Inez Dickens and Assemblyman

1 Cliff Crouch.

2 So next I'd like to call the  
3 Commission on Independent Colleges and  
4 Universities, Mary Beth Labate, president.

5 MS. LABATE: Good afternoon and thank  
6 you, Chairperson Weinstein. I'm Mary Beth  
7 Labate, president of the Commission on  
8 Independent Colleges and Universities, and we  
9 represent over 100 private, not-for-profit  
10 colleges and universities across the state.

11 And since this is my second time that  
12 you've indulged me during the hearings  
13 season, I promise to be very quick.

14 When you talk about economic  
15 development in New York, it's impossible to  
16 do so without factoring in the importance of  
17 the state's higher education landscape.  
18 There are many opportunities in this year's  
19 budget to strengthen the public and private  
20 partnership that has made private higher ed  
21 so important to our state.

22 We contribute to the state's economy  
23 in three distinct ways. First, we generate  
24 \$88.8 billion for our state's economy each



1 year and are responsible for almost 416,000  
2 jobs. In six regions across the state --  
3 Central New York, the Finger Lakes,  
4 Long Island, New York City, the North Country  
5 and the Southern Tier -- private  
6 not-for-profit campuses are among the top 10  
7 private employers.

8 One of the ways that we help create  
9 jobs in our communities is by investing in  
10 our infrastructure. Unfortunately, the  
11 Governor has proposed eliminating the only  
12 program that the state offers exclusively to  
13 private colleges to help support  
14 infrastructure improvements. Funding for the  
15 Higher Education Capital Assistance Program,  
16 better known as HECAP, was eliminated  
17 entirely. We urge that it be restored to  
18 \$35 million.

19 At a time when many areas of New York,  
20 particularly upstate, are losing population,  
21 New York's private colleges are drawing  
22 people to our state, with professors buying  
23 homes and putting down roots in places like  
24 Poughkeepsie, Syracuse, and Rochester, and

1 students bringing their brain power and their  
2 spending patterns to our communities.

3 Our campuses also provide the  
4 well-educated workforce that helps draw  
5 companies to locate in New York. We confer  
6 almost 60 percent of undergraduate and  
7 graduate degrees in the state each year, and  
8 61 percent of STEM degrees.

9 Finally, and of great import, our  
10 private not-for-profit colleges lead the way  
11 in groundbreaking research so critical to the  
12 knowledge economy. This R&D leads to the  
13 creation of spinoff companies and draws  
14 existing companies to locate in New York.  
15 It's in the area of research that I ask for  
16 your support today.

17 Specifically, we seek renewed funding  
18 in four areas. First, an increase in support  
19 for the state's 15 Centers for Advanced  
20 Technology, the CATs, from \$920,000 per  
21 center to \$1.5 million per center.

22 Second, restoration and enhancement of  
23 support for the 13 Centers of Excellence.  
24 The Executive Budget reduced funding for each

1 Center of Excellence from \$1 million to  
2 \$920,000. We ask that each center receive  
3 \$1.5 million. A list of existing CATs and  
4 COEs is appended to my testimony, and you  
5 will see that they are in both public and  
6 private institutions.

7 Our centers provide important  
8 research, development, and troubleshooting  
9 services for small- and medium-sized  
10 companies in New York and have helped to  
11 establish New York as an innovation leader.

12 Third, we are seeking restoration of  
13 \$5 million for the faculty development  
14 program through NYSTAR. Funding for the  
15 program will be exhausted in 2019.  
16 Competition for top researchers is fierce  
17 among states because researchers are a magnet  
18 for bold ideas, other talent, and investment.  
19 This funding allows us to compete with the  
20 likes of California, Texas, North Carolina,  
21 and Florida, all of whom have made an  
22 impressive name for themselves in the R&D  
23 arena.

24 Finally, we are seeking an increase in

1 funding for NYSTAR's matching grant program,  
2 currently funded at \$6 million -- we are  
3 requesting that it be funded at \$8 million.  
4 This funding makes New York more competitive  
5 in the race for federal research dollars.

6 I want to end here and thank you for  
7 your time, consideration, and your support.  
8 And I hope you all get home safely at some  
9 point.

10 CHAIRWOMAN KRUEGER: Thank you.

11 Senate? Then I'll start quickly.

12 Thank you for your testimony. You  
13 referenced the state compliance with the  
14 federal rules for the State Workforce  
15 Board -- and that also even though the  
16 Legislature approved the Governor's Office  
17 for Workforce Development with a significant  
18 amount of money, I believe, in this year's  
19 budget, you're saying that nobody has been  
20 hired and nothing's happened? Is that --  
21 that's your testimony?

22 MS. LABATE: Senator, I think that  
23 might be somebody else's testimony.

24 CHAIRWOMAN KRUEGER: Oh, my goodness.

1 MS. LABATE: I can wing it.

2 CHAIRWOMAN KRUEGER: No. You know  
3 what? I have both the testimonies in front  
4 of me, and I'm looking at the wrong one.

5 I was fascinated that you were going  
6 down that road. But thank you. Never mind.

7 The next person -- see, you run out  
8 for a second -- I apologize.

9 MS. LABATE: That's quite all right.

10 CHAIRWOMAN KRUEGER: Assembly?

11 Now you know what the question I'm  
12 going to ask you is.

13 MS. LABATE: I think it's Melinda.

14 CHAIRWOMAN KRUEGER: Thank you.

15 MS. LABATE: Anything else?

16 CHAIRWOMAN KRUEGER: See? You got off  
17 easy. Thank you.

18 MS. LABATE: Thank you.

19 CHAIRWOMAN KRUEGER: All right, let's  
20 focus and try again.

21 The next to testify is the New York  
22 Association of Training and Employment  
23 Professionals, and then just to get ready,  
24 followed by Manufacturers Association of

1 Central New York and followed by the New York  
2 Land Bank Association.

3 Hello.

4 MS. MACK: Hi, how are you? Good  
5 afternoon.

6 CHAIRWOMAN KRUEGER: Good afternoon.

7 MS. MACK: Also thank you, Chairwoman  
8 Krueger, for getting us started. At least I  
9 know where we're going, right?

10 (Laughter.)

11 MS. MACK: So good afternoon. My name  
12 is Melinda Mack. I'm the executive director  
13 of the New York Association of Training and  
14 Employment Professionals, NYATEP, also known  
15 as New York's workforce association. I thank  
16 you for this opportunity to share our  
17 perspective on why workforce development is  
18 absolutely critical to the state's economic  
19 development success.

20 We're at a watershed moment. New York  
21 has a chance to be a leader in shaping the  
22 future of our economic growth, stability, and  
23 mobility, thereby changing the economic  
24 course of hundreds of thousands of

1 New Yorkers.

2 As you know, New York is seeing  
3 unprecedented growth across the labor market.  
4 However, the real story lies really  
5 underneath or below the headlines, that we're  
6 at the lowest unemployment rate in the  
7 history of our state. We're facing three  
8 trends that will redefine our labor market,  
9 and it's imperative that we act now.

10 Before I go through the trends, I want  
11 to recognize that if I asked each of you, I'm  
12 sure there'd be overwhelming support for  
13 workforce development, and there continues to  
14 be among nearly all elected officials.  
15 Providing workers with the skills they need  
16 to excel in the economy, the importance of  
17 economic mobility, and the need to make sure  
18 employers have the workers they need to  
19 thrive are consistently in the news.

20 However, over the last decade our  
21 state has not been responsive to the shifts  
22 in the economy, has made little to no state  
23 investment in workforce development, and has  
24 not created a state strategy to respond to

1           our largest economic driver, which is our  
2           human capital.

3                   On those trends, the first is -- we're  
4           facing a labor shortage, as you've probably  
5           seen across the state. Across the key  
6           sectors in our labor market -- healthcare,  
7           education, the public sector,  
8           manufacturing -- over a quarter of the  
9           workforce is nearing retirement age.  
10          Additionally, all local labor markets, with  
11          the exception of New York City, Long Island,  
12          and the Hudson Valley, are reaching a decline  
13          in terms of their labor force participation.  
14          They are losing between 1.2 percent and  
15          8.7 percent of their workers.

16                   However, there are people available  
17          for these jobs. They are folks who are  
18          working or who need additional skills to be  
19          successful in the labor market.

20                   In New York alone, about 50 percent of  
21          New Yorkers have a high school diploma or  
22          less. That's almost 8 million people who  
23          need advanced skills to be able to compete in  
24          today's economy. The "silver tsunami," as



1 we've heard it be called, is juxtaposed with  
2 the fact that nearly all industries are  
3 growing and around 10,000 jobs were added  
4 just in December alone. If we continue to  
5 grow without the investment in human capital  
6 to replace retiring workers, the lack of  
7 available workforce will cripple all of your  
8 economic development investments.

9 Secondly, the vast majority of job  
10 growth in the state has been in low-wage or  
11 low-skill work, with the median annual wages  
12 for the fastest growing occupations to be  
13 around \$24,000 a year. That's less than half  
14 of what it would take for a family of four to  
15 be successful in our state.

16 We need to attract, retain, and grow  
17 good jobs so that New Yorkers can move up  
18 career ladders and into self-sufficient jobs  
19 with sufficient wages.

20 Finally, third, we're seeing an  
21 economic revolution. Automation and the gig  
22 economy are changing the landscape of our  
23 work. The Rockefeller Institute estimates  
24 that nearly 4.8 million jobs will be

1 eliminated or made to adapt. Additionally,  
2 77 percent of the fastest-growing  
3 occupations -- these are in retail sales,  
4 food prep, cleaners, low-skilled healthcare  
5 occupations -- will likely be replaced by  
6 automation. The most vulnerable populations  
7 in our society, generally those with those  
8 low skills, are most likely to be disrupted,  
9 and this will have sweeping economic  
10 consequences.

11 I'd like to be clear, we don't have a  
12 jobs problem in our state -- I've heard  
13 throughout most of the testimony today about  
14 jobs -- we have a job trajectory problem.

15 How do we be deliberate about making  
16 sure our economic development strategy  
17 includes investing in growing and retaining  
18 talent in New York? How do we create  
19 intentional career pathways and support  
20 employee retraining so that more New Yorkers  
21 have good jobs? These are the questions you  
22 should have been asking today of Howard  
23 Zemsky.

24 In the last budget cycle, the Governor

1 did announce \$175 million into workforce  
2 development. There will be a new  
3 consolidated funding application to support  
4 programmatic development and a new Office of  
5 Workforce Development to increase  
6 coordination across state agencies. This is  
7 incredibly promising, but truly it's just the  
8 start of the work that we need to be doing  
9 together.

10 To provide a contrast, to underscore  
11 this investment, if we just focus on  
12 New Yorkers who need a high school diploma or  
13 more, not even talking about the thousands  
14 who need to be retrained, and couple that  
15 with the investment of the \$3 billion that  
16 went into Amazon, you'd have about \$375 per  
17 person.

18 Finally I just wanted to add that we  
19 don't need to recreate the wheel. As you  
20 heard from Mary Beth and others, we have lots  
21 of regional and local systems ready to scale.  
22 We have employers that need to develop  
23 strategies who need support to help retain  
24 and grow their own workforce, and these

1 organizations who are supporting low-wage and  
2 low-skill workers need the flexibility to do  
3 their job and add to things like  
4 transportation, childcare, and other  
5 subsidies that really support people getting  
6 back on their feet.

7 Finally, job training is not for just  
8 the wealthy. It should be for everybody.

9 With that, I'll take questions.

10 CHAIRWOMAN KRUEGER: I guess I'm going  
11 to start, since I already asked the previous  
12 testifier the question I wanted to ask you.

13 So we did put this money into the  
14 budget, we did support the creation of this  
15 new model, and you're telling me nothing's  
16 happened.

17 MS. MACK: Correct. And just to  
18 reframe, there was nothing in the budget last  
19 year or in this year as regards to workforce  
20 development. These were initiatives  
21 announced as part of the Governor's State of  
22 the State last year. We've heard indications  
23 that there'll be an announcement forthcoming,  
24 but there's no dedicated resources that are

1 line-itemed in the state budget that's going  
2 to workforce development.

3 CHAIRWOMAN KRUEGER: So he didn't  
4 include \$175 million in last year's budget?

5 MS. MACK: Nope. They reallocated  
6 resources that will be repurposed for this --  
7 for this purpose.

8 CHAIRWOMAN KRUEGER: Someday. Maybe.  
9 Because it hasn't been used.

10 MS. MACK: Fingers crossed.

11 CHAIRWOMAN KRUEGER: And in follow-up,  
12 since you were here when Howard Zemsky was  
13 answering questions, one of the answers he  
14 gave an Assemblymember from upstate New York  
15 was that they were waiting to see if they  
16 could get a company interested in moving into  
17 X location before they decided to work with  
18 the community to provide the things that  
19 would make the employer want to be there.

20 So I gather that was people who have  
21 the skills for the jobs reaching out to make  
22 sure there were actual people available to go  
23 into whatever that industry was. Is that how  
24 you heard his answer to her question?

1           MS. MACK: I'm sure with that as well  
2 as additional infrastructure.

3           I think one of the things that Ryan  
4 probably could have attested to as well is  
5 that one of the largest factors in site  
6 selection is talent and talent development as  
7 well as talent pipeline development.

8           And so that's how you're really  
9 looking at the full ecosystem of available  
10 workers in your state and in your region, to  
11 build supply -- an ongoing feed into a  
12 company or sector industry around your  
13 ability to meet that demand. So I'm sure  
14 that was a component.

15           It's kind of a "Field of Dreams"  
16 question that's here: Do we build it and  
17 then companies come, or do we have the  
18 talented workforce here and the attraction  
19 part becomes much simpler?

20           CHAIRWOMAN KRUEGER: And does the  
21 research confirm my bias that you create  
22 solid infrastructure and a quality workforce  
23 and people want to come? Does the research  
24 back that up?

1 MS. MACK: Absolutely. I mean, I  
2 think we could argue if we had -- if we had  
3 the most talented workforce in the country,  
4 attracting top-tier companies would be much  
5 easier. So yes, I agree.

6 CHAIRWOMAN KRUEGER: Thank you.

7 MS. MACK: You're welcome.

8 CHAIRWOMAN KRUEGER: Senator Diane  
9 Savino.

10 SENATOR SAVINO: Thank you, Senator  
11 Krueger.

12 Good to see you again, Melinda.

13 I want to go to page 6 of your  
14 testimony. You talk about something that  
15 I've been talking about for the past three or  
16 four years, and hopefully people finally have  
17 started to listen. A couple of trends in the  
18 workforce, the emergence of what is called  
19 the gig economy and what it really means, the  
20 fact that the future of the world of work is  
21 changing, the growth of the low-wage  
22 workforce and the work that people are doing  
23 in that low wage is disappearing, all at the  
24 same time. And are we adequately prepared

1 for retraining workers?

2 I recently read an article -- a report  
3 from the Brookings Institute that tracked  
4 four sectors of the economy that are  
5 decreasing on a rapid basis: Food service  
6 workers, even the healthcare fields, retail,  
7 and clerical work. And we even looked at the  
8 government sector. Many years ago the entry  
9 point for young women with limited education  
10 were clerical jobs in the state and cities  
11 and local government workforces. Those jobs  
12 no longer exist, and we haven't created  
13 anything to replace that.

14 And we're seeing, you know, automation  
15 replace jobs, the emergence of what's called  
16 artificial intelligence, the emergence of  
17 things like chat bots, which could clearly  
18 replace call center jobs, 311 and 211  
19 systems -- there's a possibility that someday  
20 in the future they could even replace  
21 911 systems.

22 And are we really planning for the  
23 future of a workforce that will not  
24 necessarily fit into the old industrial



1 manufacturing model of the employee, doesn't  
2 really want to be the independent contractor,  
3 needs to be somewhere in the middle with the  
4 flexibility and the protection of the  
5 workforce? And what can we do to really move  
6 forward into the future?

7 I know that's a big question.

8 MS. MACK: You know, but it is the  
9 question, and I appreciate -- one, I  
10 appreciate your continued support of this  
11 issue but also, more importantly, the fact  
12 that you've done some of the research on your  
13 own.

14 It's a critical issue, especially for  
15 small-to-mid-sized companies that are going  
16 to have to keep pace with this transition and  
17 the shift in the types of technologies  
18 they're having to invest in to stay  
19 competitive and the fact that their workers  
20 are going to need to keep up. Right?

21 My family ran a manufacturing company  
22 in Buffalo. I grew up in Buffalo, in Western  
23 New York. When the price of gold went  
24 through the roof -- they were jewelers --

1           they had to shut down production. And guess  
2           what? My entire family lost their jobs.

3                     We're seeing this across the state in  
4           small and mid-sized companies. As technology  
5           is taking hold of production, the opportunity  
6           for us to give people an opportunity to move  
7           up or to shift and change the productivity  
8           with that company is real. And we have very  
9           little to know the incentives or structures  
10          or educational or job training or even  
11          incumbent worker training programs across the  
12          state to support that.

13                    Even with our federal investment,  
14          which is overseen by the State Workforce  
15          Board -- which, as you mentioned, has not met  
16          in many years at this point -- that those  
17          dollars are not being shifted to incumbent  
18          worker training. We're still just barely  
19          scratching the surface in being able to help  
20          low-skilled folks get their high school  
21          equivalencies.

22                    SENATOR SAVINO: I would -- hopefully  
23          you would like to make an appointment with my  
24          office. I'd love to sit down and really

1 explore this with you.

2 MS. MACK: Absolutely. And we can  
3 also bring providers from Staten Island to  
4 speak with you about it as well.

5 SENATOR SAVINO: Great. Thank you.

6 CHAIRWOMAN KRUEGER: Thank you.

7 Any Assembly? Nope.

8 Then thank you very much for your  
9 testimony today.

10 MS. MACK: Thank you so much. Have a  
11 good day.

12 CHAIRWOMAN KRUEGER: We appreciate it.

13 Next is the Manufacturers Association  
14 of Central New York, who will be followed --  
15 for people who want to move up -- by the  
16 New York Land Bank Association, followed by  
17 Reinvent Albany.

18 Good afternoon.

19 MR. WOLKEN: Good afternoon. Thank  
20 you for the opportunity to appear before you  
21 today to raise an important issue,  
22 specifically for small and medium-sized  
23 manufacturers in New York State. My name is  
24 Randy Wolken, and I am the president and CEO

1 of MACNY, The Manufacturers Association. I  
2 am joined today by my colleague Paul Henry,  
3 CPA, tax partner of the Bonadio Group and a  
4 leading expert on the corporate franchise  
5 tax.

6 As you may know, MACNY is a trade  
7 association representing about 330 members of  
8 55,000 employees across a 26-county region.  
9 We also represent the Manufacturers Alliance  
10 of New York, which includes the regional --  
11 six of them -- manufacturing associations and  
12 over 2,000 companies throughout New York  
13 State.

14 We're here to request that the state  
15 create a level playing field for all  
16 manufacturers, and the most significant  
17 action the state could take right now is help  
18 manufacturers eliminate the corporate  
19 franchise tax for these manufacturers.

20 As you know, in 2014 the Legislature  
21 and Governor enacted a zero percent corporate  
22 franchise tax for manufacturers organized as  
23 C corporations. This provided significant  
24 tax relief for large manufacturers and helped



1 has to make distributions to the owners of  
2 that entity to pay the taxes, it's because  
3 the tax liability of the pass-through falls  
4 to them.

5 There's sometimes a misconception,  
6 many misconceptions, that the tax  
7 distributions of a pass-through are a  
8 personal benefit to the pass-through owners  
9 in some way. If this were true, we might see  
10 C corporations asking to reclaim such a  
11 benefit and start paying New York State taxes  
12 again.

13 New York State C-corp manufacturers  
14 pay zero income taxes on their annual income,  
15 while New York State pass-through  
16 manufacturers are subject to the state income  
17 tax, the second-highest individual tax rate  
18 in the United States.

19 As a result of not providing the same  
20 relief to pass-through manufacturers, we have  
21 inadvertently put these small and  
22 medium-sized manufacturers at a competitive  
23 disadvantage with large manufacturers in  
24 New York State, the C corporations, as well

1 as those located in states with low or no  
2 income taxes.

3 MR. WOLKEN: We've heard from our  
4 members over the past few years that the  
5 pressure to move their facilities and invest  
6 in locations outside of New York has been  
7 growing stronger. Governors and economic  
8 development officials from these states with  
9 no income tax are aggressively calling  
10 New York State manufacturers and offering  
11 them very attractive incentive packages.

12 Even though these manufacturers tend  
13 to be locally owned and have strong ties to  
14 their community, they are finding it more  
15 difficult to resist these offers.

16 In response to the loud pleas from our  
17 small-to-medium-size manufacturers, the  
18 Manufacturing Research Institute of New York  
19 State commissioned a study to analyze the  
20 impact of extending the zero percent  
21 corporate franchise tax rate to those small  
22 and medium manufacturers. The study,  
23 conducted by The Beacon Hill Institute in  
24 2018, found that the elimination of the

1 corporate franchise tax for these  
2 pass-through manufacturers would increase  
3 private-sector jobs by 4,660 in the first  
4 full year and by 5,850 in 2023. It would  
5 cause increased investment to rise by  
6 \$118 million in the first year and by  
7 \$147 million by 2023.

8 This is a tremendous return on  
9 investment for the State of New York and  
10 significantly less than other economic  
11 development initiatives.

12 This increase in economic activity,  
13 sparked by extending the zero-percent tax  
14 rate to income from pass-through  
15 manufacturers, would help mitigate the loss  
16 of revenue to New York State and boost local  
17 tax revenue collections.

18 This action would signal to the entire  
19 manufacturers in New York that they should  
20 continue to invest in their employees and  
21 grow here and not move out of state.

22 New York State leads the way in the  
23 financial industry and has become a leading  
24 state for technology jobs. It's time to make



1 an investment in manufacturing, an industry  
2 that desperately needs a boost. Enacting a  
3 zero percent tax rate for small-to-  
4 medium-sized manufacturers would have a  
5 profound, positive impact on these existing  
6 companies and serve as a strong economic  
7 development tool to attract more  
8 manufacturers to New York.

9 Thank you for your continued support  
10 of New York's manufacturers and for your time  
11 and commitment to our state.

12 CHAIRWOMAN KRUEGER: Senator Robert  
13 Antonacci.

14 SENATOR ANTONACCI: Thank you,  
15 Madam Chair.

16 Guys, welcome from Syracuse. It's  
17 good to see you. I hope you have a safe  
18 drive home. I'll be right behind you; you  
19 can call me if you get in a ditch, I'll bail  
20 you out.

21 I just want to talk about the -- it's  
22 quite possible, and I wasn't here in 2014,  
23 that there's a reflection in being an S-corp  
24 that you're not paying federal taxes at the

1 corporate level. How does that factor into  
2 this calculation before we criticize the  
3 state?

4 I mean, you know, so you've got a  
5 larger C-corp that is obviously targeted at  
6 larger corporations, but those business  
7 owners are paying federal tax, whereas in an  
8 S-corp they're not. Is there any reflection  
9 in that, or are you just looking for some  
10 parity between the New York State tax?

11 MR. HENRY: That is the basic  
12 misunderstanding, the pass-throughs, that the  
13 pass-throughs' income isn't being taxed  
14 somehow every year, whereas the C corporation  
15 does have to pay taxes. That's actually not  
16 the case.

17 The income of the pass-through has to  
18 be paid by the owners. That's just the  
19 nature of how the tax law works.

20 SENATOR ANTONACCI: Right.

21 MR. HENRY: So annual income tax has  
22 to be paid on that income. It's just where  
23 does the liability fall.

24 So in taking that analogy to New York

1 State, the C corporation doesn't have to pay  
2 any income tax on their earnings for the  
3 pass-throughs --

4 SENATOR ANTONACCI: Just New York  
5 State, though --

6 MR. HENRY: -- they have --

7 SENATOR ANTONACCI: -- but just  
8 New York State income tax. They have to pay  
9 federal tax if they --

10 MR. HENRY: Well, yes. They both have  
11 to pay federal tax, that's true. C-corp  
12 manufacturers in New York, zero tax.  
13 Pass-through manufacturers in New York,  
14 100 percent --

15 SENATOR ANTONACCI: And they could --  
16 and they could revoke their S election,  
17 though. They could do that.

18 MR. HENRY: Well, I mean, if you have  
19 an LLC partnership, you're not a corporation  
20 to start with.

21 And another misconception is that you  
22 can just flip a switch and become a  
23 C corporation. And unfortunately, for a lot  
24 of businesses, that's a switch that can't be

1 unflipped. And businesses plan their equity  
2 structure, their succession planning three,  
3 five, 10 years out, and it's just not  
4 practical to -- in their estate planning,  
5 it's just not practical for everybody to  
6 become a C-corp.

7 SENATOR ANTONACCI: I've only got a  
8 minute --

9 MR. WOLKEN: Let me just say quick --  
10 also, we wouldn't necessarily want that to  
11 happen. These are small, medium companies  
12 that are highly invested in our communities.  
13 They act differently as pass-through  
14 corporations than they would as C-corps,  
15 which tend to have a shorter time horizon and  
16 tend to be more global in their outlook.

17 SENATOR ANTONACCI: What's the dollar  
18 amount that's going to affect the state  
19 coffers? Do we know if somehow this law was  
20 passed and there was parity -- it's going to  
21 cost the state something, right? Do we know  
22 what that number is?

23 I know you would hope that it would be  
24 reinvested in equipment and -- I get that.

1           MR. HENRY: Well, from a comparative  
2 perspective, in 2014 a C-corp zero rate was  
3 budgeted at 193 million. That was in 2014.

4           In 2019, the pass-through rate -- the  
5 pass-through cost is 168.

6           Now, you should be asking yourselves,  
7 Well, why is the pass-through rate a lot less  
8 expensive than the C-corp rate when you know  
9 from your materials that there are far more  
10 pass-throughs in the country and in the state  
11 than there are C corporations? It's because  
12 the C corporations make a lot more money.  
13 It's a lot of revenue that was being lost.

14           So what we've done is inadvertently  
15 created a progressive -- I'm sorry, a  
16 regressive tax system for manufacturers in  
17 New York. The more they make as a  
18 C corporation, they'll pay less tax. They'll  
19 pay zero.

20           CHAIRWOMAN KRUEGER: Assembly?

21           Senate again. Yes, Senator.

22           SENATOR RANZENHOFER: Thank you very  
23 much.

24           A quick question. I mean, obviously

1           you've talked about the manufacturing tax,  
2           and it's almost like in a vacuum.

3                     (Mic difficulties.)

4                     SENATOR RANZENHOFER: How's this?

5                     So the presentation you made is  
6           talking about this in a vacuum. How is this  
7           affected in light of the fact that this  
8           doesn't change property taxes, which are  
9           still very high; it doesn't change sales  
10          taxes, which are very high; it doesn't change  
11          the cost of medical care, medical insurance  
12          for employees, still very high -- so you're  
13          talking about one small segment in the light  
14          of many other taxes and expenses, energy  
15          included, which are very high.

16                    So how does this actually impact the  
17          bottom line of the business when you still  
18          have all those other expenses, which we are  
19          far out of proportion to other states in the  
20          country?

21                    MR. WOLKEN: Senator, that's a good  
22          question. We think it's a game-changer. It  
23          was for C corps. We suddenly went from the  
24          bottom 10 when it came to this tax to the top

1           10. We started to become available, the  
2           companies that would have considered  
3           expanding or locating here -- so we think  
4           it's that kind of change to what happens in a  
5           company.

6                     And those extra resources do get  
7           invested. You'll see that especially in  
8           pass-throughs and S corps, they make  
9           investments in employees and equipment.

10                    So we think it makes a significant  
11           difference. It can help change the script of  
12           New York. Obviously it doesn't affect those  
13           other taxes; we'd like to, you know, continue  
14           to see those modified. But this makes a big  
15           difference.

16                    SENATOR RANZENHOFER: Just briefly,  
17           how many companies are you talking about?

18                    MR. HENRY: Well, we're talking --  
19           well, there are 16,000 manufacturers in  
20           New York State, and you know, the affected  
21           would be about 2/3 of them. Because they  
22           would be pass-throughs.

23                    SENATOR RANZENHOFER: A significant  
24           number.

1           CHAIRWOMAN KRUEGER: Thank you very  
2 much for your time today. We appreciate your  
3 testimony.

4           MR. WOLKEN: Thank you.

5           MR. HENRY: Thank you.

6           CHAIRWOMAN KRUEGER: New York Land  
7 Bank Association, Adam Zaranko, followed by  
8 Reinvent Albany.

9           MR. ZARANKO: Good afternoon.

10          CHAIRWOMAN KRUEGER: Good afternoon.

11          MR. ZARANKO: I'm thankful for the  
12 opportunity to speak with you today in  
13 support of New York State's Land Bank  
14 Program. I sit here before you today wearing  
15 three hats -- as president of the New York  
16 State Land Bank Association, as the executive  
17 director of the Albany County Land Bank  
18 Corporation, perhaps most importantly as a  
19 third-generation lifelong New Yorker.

20                 It's wearing those hats that I regret  
21 to inform you that New York State's economy  
22 is being attacked by zombies. They can be  
23 found in just about every community in  
24 New York State, hiding in plain sight among



1 occupied buildings and well-maintained lots,  
2 consuming municipal resources, depressing  
3 property values, reducing tax revenue and  
4 harming surrounding residents.

5 The numbers are staggering. The City  
6 of Albany has over 1,000 vacant buildings, or  
7 about one for every 100 man, woman, and child  
8 in our population. Syracuse has  
9 approximately one vacant building for about  
10 every 80 people in their population, and the  
11 City of Buffalo, which is estimated to have  
12 over 10,000 vacant buildings, is about one  
13 for every 25 people in their population.

14 These figures do not include vacant  
15 and abandoned land, which -- I know for  
16 Albany County, we actually have more vacant  
17 and abandoned land than we do buildings come  
18 through our process.

19 These vacant buildings are everywhere.  
20 Many of you were probably greeted by vacant  
21 buildings when you entered the capital coming  
22 into Albany. Within a several-mile radius,  
23 we have over 1,000 here.

24 All New Yorkers should be concerned

1 about the number of vacant and abandoned  
2 problem properties located within our  
3 neighborhoods, and those tasked with  
4 fostering economic development throughout the  
5 state should be especially troubled.

6 Abandoned and blighted properties  
7 prevent new homebuyers and businesses from  
8 moving into and investing in older  
9 neighborhoods. Depressed property values  
10 prevent existing homeowners from growing  
11 wealth through equity, limit the ability of  
12 investors to finance new businesses or  
13 improvements, and reduce property tax revenue  
14 for local governments.

15 Census data suggest that many parts of  
16 our state are experiencing a decline in  
17 population, with much of that loss occurring  
18 outside the New York City metro region. Our  
19 state's population continues to decrease in  
20 some areas. We will experience an increase  
21 of vacant and abandoned properties. That's  
22 one of the factors that led to the challenge  
23 that we have in many of our upstate legacy  
24 cities, was the hollowing out of our urban

1           cores, losing population and creating an  
2           imbalance in the housing supply.

3                     It's no secret that New York City  
4           serves as the state's economic engine.  
5           However, the tremendous number of vacant and  
6           abandoned properties located throughout the  
7           state are severely limiting New York's  
8           economic gas mileage. Ultimately, the  
9           overall economic health of any municipality  
10          or region is limited by its weakest  
11          neighborhood, and even the most substantial  
12          economic development investments and  
13          innovative programs can be undermined by  
14          economically distressed neighborhoods.

15                    No community is safe from problem  
16          properties, and even our strongest housing  
17          markets are affected. In 2017, New York  
18          City's HP agency, in one of the strongest  
19          housing markets in the United States, created  
20          a dedicated zombie home unit to address these  
21          problematic properties. Suffolk and Nassau  
22          counties have been reported as having among  
23          the highest number of pre-foreclosure homes  
24          in the United States last year.

1           Fortunately, the infrastructure to  
2           revitalize neighborhoods and address economic  
3           disparities throughout New York State through  
4           the reclaiming of vacant and abandoned  
5           properties is already in place through  
6           New York State's Land Bank Program.

7           Since historic legislation was signed  
8           in the state in 2011, New York State has  
9           developed one of the most active and  
10          sophisticated networks of land banks in the  
11          United States. New York's 25 land banks have  
12          achieved nationally recognized progress which  
13          has exceeded even the most ambitious  
14          expectations. We've acquired over 2,800  
15          problem properties; we've incentivized over  
16          \$100 million of private investment, largely  
17          in economically distressed neighborhoods; and  
18          we have demolished hundreds of blighted  
19          buildings and returned thousands of  
20          properties to the tax rolls.

21          Communities throughout the U.S. and  
22          New York are increasingly recognizing the  
23          value of land banks as a progressive and  
24          proven way to responsibly reclaim vacant

1 properties. In December 2018, New York State  
2 adopted legislation increasing the number of  
3 land banks authorized in the state from 25 to  
4 35.

5 To date, our land banks have been  
6 funded primarily through the New York State  
7 Attorney General's Community Revitalization  
8 Initiative, which uses funding obtained from  
9 settlement agreements with large financial  
10 institutions for misconduct that led to the  
11 2008 financial crisis. While this money has  
12 been incredibly meaningful to land banks and  
13 the communities they serve, there is  
14 currently no additional funding identified  
15 for land banks.

16 The most successful land banks in the  
17 nation have secured recurring, adequate, and  
18 predictable public funding. With a  
19 comparable model, New York State could  
20 bolster its already impressive network of  
21 land banks, reverse decades of decline,  
22 restore communities, and become the national  
23 model for combating blight.

24 A lack of sustained funding limits the

1 number of problem properties land banks can  
2 address and undermines the full potential of  
3 New York's land banks intended under state  
4 law. In the absence of a sustainable funding  
5 model, the New York State Land Bank  
6 Association respectfully requests \$20 million  
7 in funding for the FY 2019-2020 state budget,  
8 to be apportioned among land banks based on  
9 the size and capacity of each land bank, as  
10 well as funding for capacity building for up  
11 to 10 new land banks expected to be formed in  
12 the state this year.

13 CHAIRWOMAN KRUEGER: Thank you. I'm  
14 going to cut you off there. All right? We  
15 all have the written testimony.

16 Senator Antonacci has a question.

17 SENATOR ANTONACCI: Thank you.

18 My understanding is there's no exact  
19 stream of funding in the State Budget for  
20 land banks.

21 MR. ZARANKO: Correct.

22 SENATOR ANTONACCI: Okay. And you  
23 live pretty much hand to mouth because of the  
24 Attorney General and the settlements with

1 banks, right?

2 MR. ZARANKO: Correct. Most of our  
3 capital funding has depended on the Attorney  
4 General's bank settlements to invest in the  
5 properties and restore them to productive  
6 reuse to date.

7 SENATOR ANTONACCI: Okay. I'm a big  
8 fan of land banks. In Syracuse we have a  
9 great land bank. The county comptroller did  
10 a phenomenal audit on land banks back in the  
11 day, governing structure -- I would urge you  
12 read it.

13 But one of the things that seems to be  
14 nonsensical to me is we've got  
15 municipalities -- obviously, they need their  
16 sewer fees, they need to get their taxes  
17 collected. But if the property's vacant, no  
18 one is living in there and it's in disrepair,  
19 I think that the concept that I would like to  
20 see maybe statewide would be that maybe those  
21 municipalities could get those reimbursements  
22 from someplace else or a fund -- and maybe  
23 that's part of the 20 million. But I think  
24 that those kinds of fees should be almost

1 uniformly waived if a land bank takes over  
2 its property.

3 But then again, if you hold on to the  
4 property too long -- you know, that's not  
5 your mission, obviously --

6 MR. ZARANKO: Right.

7 SENATOR ANTONACCI: So I don't know  
8 what the answer is, but I know that my  
9 executive director's sung this tune a lot.  
10 And again, I'm more than willing to read your  
11 testimony in depth. But I think we've got to  
12 look at some of these expenses that aren't  
13 getting paid anyway as being eliminated so  
14 they're not a charge to the land bank.

15 MR. ZARANKO: Yes. Syracuse has a  
16 fantastic land bank.

17 SENATOR ANTONACCI: Thank you. I'll  
18 let her know. Thank you, sir.

19 CHAIRWOMAN KRUEGER: Assembly?

20 I have one, thank you. So wasn't the  
21 intent that when you redeemed properties,  
22 when you brought them back, you would sell  
23 them and that would be a continuing funding  
24 stream to the land bank?



1           MR. ZARANKO: I'm sorry, could you  
2 repeat the question?

3           CHAIRWOMAN KRUEGER: That once you had  
4 taken land, rehabbed/renovated so it was no  
5 longer a zombie property, you would then sell  
6 the property and that would be money back  
7 into the land bank to continue more projects?

8           MR. ZARANKO: Yes, that's how the  
9 model works for revenue streams for a lot of  
10 land banks.

11           However, because there's been so many  
12 decades of not comprehensively addressing the  
13 problem of the vacant and abandoned  
14 properties, a lot of the properties that land  
15 banks acquire have been vacant and abandoned  
16 for 5, 10, 15, 20-plus years. And they're  
17 located in neighborhoods that are surrounded  
18 by vacant and abandoned properties that  
19 depresses the overall value, and they require  
20 more investment to put in the property than  
21 the property is worth at the end of the day.

22           So the private real estate market  
23 won't do that responsibly, and we can only  
24 address those properties with grant funds

1 needed to offset those costs. Sometimes the  
2 building has to be demolished.

3 In New York State, the average  
4 building demolition cost is north of \$30,000  
5 per building. It's very economically  
6 diverse.

7 CHAIRWOMAN KRUEGER: So you're  
8 demolishing, then building something new?  
9 What are you doing once you demolish?

10 MR. ZARANKO: If we can build  
11 something new, we will. The challenge is  
12 that many of these properties are in such  
13 weak housing markets that there is no demand  
14 for new construction, and a lot of the  
15 lots are surplus and we can't find a way to  
16 dispose of some of these lots.

17 We have a lot different innovative  
18 programs to help get them to adjacent  
19 property owners, but in a lot of  
20 neighborhoods in New York State the adjacent  
21 property is also vacant.

22 CHAIRWOMAN KRUEGER: So am I wrong  
23 that most of the work that land banks are  
24 doing now is simply demolition work?

1           MR. ZARANKO: Most of the grant  
2 funding to date has gone into a few buckets.  
3 So demolition of blighted structures that  
4 can't be saved, to eliminate the harms they  
5 cause, or partially rehabbing a building --  
6 we call it a stabilization to the  
7 structure -- to reduce the investment that a  
8 future buyer needs to do, making it  
9 economically viable for them to take it  
10 across the finish line and they put in less  
11 than it's worth or fully rehabbing the  
12 building. And in some cases, like in  
13 Buffalo, they're doing new construction. In  
14 Albany, we work with Habitat for Humanity.  
15 So there's kind of different pathways we can  
16 take with grant funding.

17           We try to be tactical and responsible  
18 with how we apply those funds, but there is  
19 not one right way to address these  
20 properties. It's really property by  
21 property.

22           CHAIRWOMAN KRUEGER: Thank you. Thank  
23 you for your testimony today.

24           MR. ZARANKO: Thank you for your time.

1                   CHAIRWOMAN KRUEGER: Our next  
2                   testifier is Reinvent Albany, followed by  
3                   New York Cannabis Ventures.

4                   Good afternoon.

5                   MR. CAMARDA: Good afternoon, Chair  
6                   Krueger, members of the committee. My name  
7                   is Alex Camarda. I'm the senior policy  
8                   advisor for Reinvent Albany. Reinvent Albany  
9                   is a government watchdog organization which  
10                  advocates for open and accountable  
11                  government. As part of our work we focus on  
12                  business subsidies and creating greater  
13                  transparency and accountability around  
14                  economic development spending.

15                  We have testified many times before,  
16                  before this committee and other economic  
17                  development committees in the Legislature,  
18                  and we've lamented the fact that the budget  
19                  has been passed in years past with billions  
20                  of dollars in spending without what we  
21                  believe is adequate transparency and  
22                  accountability for the many economic  
23                  development expenditures and grants and other  
24                  forms of subsidies.

1           The Citizens Budget Commission

2           actually came out with a report yesterday  
3           that they do every year that tabulates all of  
4           the economic development spending by the  
5           state and also by localities. That number  
6           has risen much faster than the rate of  
7           inflation. It's now \$10 billion. And we  
8           think, given the enormity of the spending by  
9           the state and localities on business  
10          subsidies, greater transparency and  
11          accountability is in order.

12           And so we've recommended a few items  
13          that we think should be done as part of the  
14          budget and that there's been some traction on  
15          this past year. The first is the Governor  
16          announced an agreement with the Comptroller  
17          restoring the pre-audit authority that the  
18          Comptroller had really for decades and was  
19          repealed in 2011. We haven't seen details or  
20          any language related to that agreement other  
21          than a paragraph that's in the state  
22          operations appropriations bill. And we think  
23          that that should be put into statute, meaning  
24          that it would be in the Article VII bills.

1           As we understand it, the language  
2           that's in the appropriations bill is  
3           temporary. It could only last for a year,  
4           because it's part of the Comptroller's  
5           budget. And so we would like to see the  
6           language reflect the Comptroller's  
7           Procurement Integrity Act that he introduced  
8           last year and was actually passed by the  
9           Senate.

10           The second measure we'd like to see as  
11           part of the budget, which was referred to  
12           during this morning's testimony as the  
13           database of deals, this is a listing of all  
14           the business subsidies received by companies.  
15           It also should show not only the amount of  
16           money that was received in taxpayer funds but  
17           also the company receiving it, the amount of  
18           jobs they've promised, the type of jobs, the  
19           type of program that's funding the project.

20           That's something Assemblymember  
21           Schimminger has carried for the last few  
22           years. Senator Comrie has picked it up in  
23           the Senate. The bills are very close. They  
24           were in the budget resolutions of both houses

1 last year -- again, just slightly  
2 different -- and we think, given how close  
3 they are in nature, that we should finalize  
4 it this year and pass it.

5 And the Governor has also provided  
6 \$500,000 in funding for it, again as part of  
7 the state appropriations bill.

8 We would like to see it in the  
9 Article VII bills. We think it's important  
10 to identify exactly what would be in a  
11 database of deals and also lay out the  
12 technological format of it so that it's  
13 useful to the public, and to all of you, to  
14 get a better sense of the spending by the  
15 state on economic development subsidies.

16 The third measure, again which was  
17 referenced during this morning's testimony,  
18 is applying the Freedom of Information Law to  
19 economic development entities.

20 We've seen in years past and it was  
21 discussed during ESD's testimony that many of  
22 these projects, for reasons that are really  
23 unknown to us, have been bid out by  
24 nonprofits affiliated with SUNY and CUNY. We

1 think these projects are better bid out by  
2 agencies or by ESD. But at the very least,  
3 there should be FOIL applied to those  
4 nonprofit entities that are doing bidding for  
5 these large government-funded projects.

6 We think had that been true in the  
7 past, it might have prevented the bid-rigging  
8 scandal and the subsequent convictions we saw  
9 in this last year of some top state  
10 officials, major developers, and campaign  
11 contributors in the state.

12 Lastly, I'll close with -- I'm sorry,  
13 there was a fourth proposal that I neglected  
14 to mention. Chair Weinstein referred to it  
15 this morning; it was again in the budget  
16 resolutions from last year. And that is  
17 applying ethics laws to economic development  
18 entities including REDCs, essentially making  
19 members subject to the Public Officers Law,  
20 Section 74. So we think that's also  
21 something that's obviously been considered in  
22 years past and should be done this year.

23 Thank you, and I welcome any questions  
24 you may have.



1                   CHAIRWOMAN KRUEGER: Thank you very  
2 much.

3                   Senate, any questions? Assembly?

4                   Thank you very much for testifying  
5 today as well as last night, Alex.

6                   Okay, as I mentioned, next up,  
7 New York Cannabis Ventures. And to follow,  
8 Acreage New York. And MJM Strategy,  
9 Minorities for Medical Marijuana last.

10                  MR. BRACH: Thank you, Chairwoman and  
11 committee for taking the time to hear myself  
12 today. My name is Anthony Brach, I represent  
13 New Cannabis Ventures --

14                  CHAIRWOMAN KRUEGER: Could you pull  
15 the microphone a little closer? Because I  
16 think we're having trouble picking you up.

17                  MR. BRACH: Can you pick me up now?  
18 Fantastic.

19                  So I wanted to take some time to  
20 review the legislation regarding recreational  
21 cannabis and the State of New York as it's  
22 been coming your guys' way for a little bit  
23 of time now. You have a great medical  
24 program that can be enriched by recreational

1           cannabis, not overwhelmed by it.

2                   My background is I've been in the  
3           industry for about 10 years now. Medical in  
4           Colorado, Arizona, back to recreational today  
5           in Colorado. I now reside in the State of  
6           Vermont, helping them roll out a rule set for  
7           their would-be recreational program and  
8           helping a medical dispensary there get their  
9           feet under them.

10                   I want to give some advice on the  
11           rule-making process. If possible, going  
12           forward, maybe pull it out of the budget and  
13           spend the next two or three months really  
14           carving out the rules necessary to get a  
15           program off the ground. I feel that that's a  
16           very important process that needs to be done  
17           correct from the front end.

18                   It's much easier to start with a tight  
19           belt than it is to start with a loose one and  
20           then try to tighten it, as I've seen across  
21           many states -- not only the ones I've  
22           operated in, but obviously seen the rules  
23           formed in other states where you've had  
24           multiple issues. And now in a couple of

1 New England states we've seen rules kind of  
2 go awry.

3 I think, getting on to the next point,  
4 you know, evaluating the market as it goes  
5 through this rule-making process and its  
6 implementation is very important in  
7 communicating with small business owners.  
8 Those small businesses can then communicate  
9 back to the state what's working and what's  
10 not, and to make sure that the rules are  
11 benefiting, you know, who we want to benefit,  
12 which is, you know, the economy, the  
13 consumer, and tourism.

14 Tourism is a big thing that I've heard  
15 today, along with economic development in  
16 rural communities, and I think cannabis can  
17 contribute to those things in meaningful  
18 ways. One of the most meaningful ways is  
19 rural communities that used to have  
20 agriculture in them that don't anymore,  
21 cannabis can bring agriculture back in a big  
22 way, not only hemp but recreational and  
23 medical cannabis as well.

24 I think that along the lines of

1           tourism, a big thing that's missing in most  
2           states is the ability to guide tourists to  
3           come to the state via a landing web page, how  
4           to advise them for safe and legal purchasing  
5           at the licensed facilities, and when and  
6           where to consume that cannabis now that  
7           they've purchased it as a legal 21-year-old  
8           adult.

9                   I think that the northern states can  
10           be definitely, positively impacted by the  
11           agricultural portion of these businesses, and  
12           the cities and communities around them, and I  
13           think that overall cannabis can be a very  
14           positive thing for New York State.

15                   I think that our group would love to,  
16           you know, have the opportunity to give input  
17           on the rule-making process, and I welcome any  
18           questions that you may have.

19                   CHAIRWOMAN KRUEGER:  Senator Diane  
20           Savino.

21                   SENATOR SAVINO:  Thank you, Senator  
22           Krueger.

23                   Good afternoon, Mr. Duval {sic}.  So  
24           tomorrow, you know, we're probably going to

1 do a lot more around the medical -- the  
2 existing medical program and the Governor's  
3 proposal on expanding into adult-use  
4 marijuana. But for those members who aren't  
5 going to be here tomorrow, or aren't going to  
6 be able to watch, there seems to be a lot of  
7 I think misinterpretation about how difficult  
8 it is to get into this industry and to stay  
9 in this industry and the barriers to entry  
10 for everyone.

11           Could you speak a bit about the  
12 complications of obtaining a license,  
13 maintaining a license? And particularly on  
14 the medical side, how difficult it's been  
15 providing access to patients across the  
16 state.

17           MR. BRACH: Absolutely. The first  
18 thing is the rule-making process and  
19 licensing as a whole, and so we don't need to  
20 create unneeded barriers and all sorts of  
21 license types and complexity to the process.  
22 We either make it very streamlined so that  
23 people can apply, have their application  
24 reviewed in a timely manner -- 30 to 60 days

1 would be great; sometimes it takes three to  
2 six months, maybe a year in some states it's  
3 taking throughout these programs -- and get  
4 them to business faster.

5 I would even recommend, as recreation  
6 comes rolling out, license types for the  
7 cultivation first, because you're going to  
8 need product on the shelves by the time  
9 retail and processing places open up. You  
10 don't want to open up retail and cultivation  
11 at the same time and then have a six-month  
12 waiting period for product to actually be on  
13 the shelf. That's a solution there.

14 The licensing and maintaining a  
15 license is -- there's a lot of compliance  
16 that goes into these businesses, and a lot of  
17 rules and regulations over the head of any  
18 operator of any business outside the normal  
19 scope. I mean, to be honest, in Colorado and  
20 Arizona, especially in the medical world, we  
21 are held to an extremely high standard from  
22 an agricultural sense for testing for  
23 microbial contaminants, pesticides and  
24 fungicides, and it's all geared towards

1 consumer safety.

2 But a lot of it was given on, in my  
3 opinion, short-term input. And we really  
4 need to revisit those and make sure that  
5 we're testing for things that -- you know, on  
6 a microbial level. Human pathogens, things  
7 that are going to hurt people, not just a  
8 meaningless total yeast and mold number.

9 There's a lot of rules that got  
10 written just to get them in the books. And  
11 making sure those commonsense rules that  
12 affect people in a positive way are in  
13 there -- but yes, following all those rules.  
14 You know, we have a saying that we're in the  
15 compliance business before we're in the  
16 cannabis business, because we spend almost  
17 all of our time trying to comply with all of  
18 the rules. And especially as they change,  
19 because they change almost monthly, it seems.  
20 We get redlined all the time.

21 SENATOR SAVINO: You didn't even get  
22 to the issue of the access to capital and how  
23 complicated it is to raise the revenue to get  
24 into this industry and the banking

1 complications and the tax complications. And  
2 in the 17 seconds I have left, if you just  
3 want to touch on that?

4 MR. BRACH: Absolutely. Access to  
5 capital is a big issue, and we need to have  
6 either loans coming from the state to small  
7 business owners that want to start these  
8 places -- we definitely don't need more  
9 venture capital coming into the industry and  
10 large corporations that have begun out west  
11 and in Canada coming into the industry in  
12 New York State.

13 We want to have those small business  
14 owners and be able to facilitate the smaller  
15 range of businesses being started with, you  
16 know, 20 to 25 employees, and lots of those  
17 businesses going forward.

18 SENATOR SAVINO: Thank you.

19 CHAIRWOMAN WEINSTEIN: Thank you.

20 Mr. Lavine.

21 ASSEMBLYMAN LAVINE: Anthony, this  
22 morning Albany Law School had a presentation  
23 in the Capitol on the legal issues concerning  
24 legalized marijuana, and obviously it is



1           extraordinarily complex.

2                     But one of the points that was made  
3           was that in some of the states which allow  
4           for home cultivation, where people are  
5           allowed to grow six plants on their own or a  
6           total of 12 plants in a family, that they are  
7           producing so much marijuana that it is  
8           finding its way -- or there's the theory that  
9           it's finding its way into the black market.

10                    Do you have any thoughts or ideas  
11           about the home consumption and number of  
12           plants allowed and how that works?

13                    MR. BRACH: From my stance, the way to  
14           not encourage people to participate in the  
15           black market is to have such a wide-spanning  
16           accessible legal market that there's no need  
17           for them to participate in the black market.

18                    You can brew beer at your house if you  
19           want -- kind of akin to growing cannabis at  
20           your house to brewing beer at your house.  
21           You have the possibility to do that, but most  
22           people do it once and then they give up and  
23           find it more convenient to go to a liquor  
24           store or a bar to consume that alcoholic

1 beverage.

2 It's the same type of cannabis  
3 mentality we need to have, that the laws  
4 within a state and eventually hopefully  
5 federal programs allow for interstate  
6 commerce with these things, that price is at  
7 a point where people don't have to do it at  
8 their house, it's not financially  
9 incentivized for them to participate in the  
10 black market.

11 ASSEMBLYMAN LAVINE: Thank you.

12 CHAIRWOMAN WEINSTEIN: Thank you. I  
13 think that's it for questions.

14 Thank you.

15 MR. BRACH: Thank you for your time.

16 CHAIRWOMAN WEINSTEIN: So next we have  
17 what I believe is our final witness for this  
18 Economic Development hearing, Acreage  
19 New York, Dennis Duval.

20 And is MJM Strategy here, Dasheeda  
21 Dawson?

22 (No response.)

23 SENATOR ANTONACCI: Ma'am -- ma'am --  
24 Madam Chair. Did the Acreage not show up?

1                   SENATOR SAVINO: That was Acreage.

2                   SENATOR ANTONACCI: No, that was  
3 New York Cannabis --

4                   CHAIRWOMAN WEINSTEIN: That was New  
5 Cannabis.

6                   (Voice from audience.)

7                   CHAIRWOMAN WEINSTEIN: No, that's  
8 okay, that's okay. We have another hearing  
9 that we need to begin.

10                  SENATOR ANTONACCI: I would have asked  
11 you a question if I knew New York Cannabis  
12 wasn't going to be here, but -- all right,  
13 I'll see you tomorrow.

14                  SENATOR SAVINO: So Acreage isn't  
15 here.

16                  CHAIRWOMAN WEINSTEIN: Yeah. Acreage  
17 must have left without telling us.

18                  Okay, so that concludes the Economic  
19 Development portion of today's Ways and Means  
20 and Finance hearings. We're going to take a  
21 five-minute break, and then we will begin the  
22 Tax hearing for this afternoon.

23                  (Whereupon, the budget hearing concluded  
24 at 2:05 p.m.)

