

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

3 JOINT LEGISLATIVE HEARING

4 In the Matter of the
5 2014-2015 EXECUTIVE BUDGET ON
6 ECONOMIC DEVELOPMENT

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

10 February 10, 2014
11 1:03 p.m.

12 PRESIDING:

13 Senator John A. DeFrancisco
14 Chair, Senate Finance Committee

15 Assemblyman Herman D. Farrell, Jr.
16 Chair, Assembly Ways & Means Committee

17 PRESENT:

18 Senator Liz Krueger
19 Senate Finance Committee (RM)

20 Assemblyman Robert Oaks
21 Assembly Ways & Means Committee (RM)

22 Assemblyman Robin Schimminger
23 Chair, Assembly Committee on Economic
24 Development, Job Creation, Commerce
and Industry

Assemblyman William Scarborough
Assembly Committee on Small Business

Senator David J. Valesky

Assemblywoman Ellen C. Jaffee

1 2014-2015 Executive Budget
Economic Development
2 2-10-14

3 PRESENT: (Continued)

4
5 Senator Timothy Kennedy
6 Assemblywoman Margaret M. Markey
7 Assemblyman William Colton
8 Senator Malcolm Smith
9 Assemblywoman Didi Barrett
10 Senator James Sanders Jr.
11 Assemblywoman Jane L. Corwin
12 Senator Martin Golden
13 Assemblywoman Earlene Hooper
14 Senator John J. Bonacic
15 Assemblyman Raymond W. Walter
16 Senator Simcha Felder
17 Assemblyman Clifford W. Crouch
18 Assemblyman Felix Ortiz
19 Senator Elizabeth O'C. Little
20 Assemblyman Francisco P. Moya
21
22
23
24

1 2014-2015 Executive Budget
 Economic Development
 2 2-10-14

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1 CHAIRMAN DeFRANCISCO: Okay, I'll now
2 call this meeting to order.

3 It's a joint budget hearing of the
4 Senate and the Assembly to discuss the topic
5 of economic development. It's a hearing set
6 by the State Constitution.

7 And we will hear various speakers and
8 ask various questions. There's a clock, so
9 please be mindful of it, and the legislators
10 as well.

11 With that said, I would like to have
12 Kenneth Adams start us off, president and CEO
13 of New York State's Empire State Development.
14 On deck is Kathryn Flacke Muncil.

15 CHAIRMAN FARRELL: I've been joined by
16 Assemblywoman Marge Markey and Assemblyman
17 Ellen Jaffee.

18 CHAIRMAN DeFRANCISCO: And from the
19 Senate standpoint, Senators David Valesky,
20 Tim Kennedy, and most valuable player
21 Malcolm Smith.

22 (Laughter.)

23 CHAIRMAN DeFRANCISCO: Okay, whenever
24 you're ready.

1 COMMISSIONER ADAMS: Good afternoon.
2 Chairman DeFrancisco, Chairman
3 Farrell, and distinguished members of the
4 Senate and Assembly, good afternoon. I
5 appreciate the opportunity to appear before
6 you today to discuss Governor Cuomo's
7 2014-2015 Executive Budget for Empire State
8 Development.

9 The Governor's Executive Budget
10 contains several proposals for continued
11 improvement of New York's economic climate,
12 including corporate tax reform, the
13 establishment of a 20 percent real property
14 tax credit for manufacturers, elimination of
15 the net income tax rate for upstate
16 manufacturers, and the 18-a temporary
17 assessment for industrial customers.

18 As part of his economic development
19 budget, the Governor announced Round 4 of the
20 Regional Economic Development Council
21 competition, which will ensure that this
22 initiative continues to generate investment
23 and create jobs all across New York. The
24 Executive Budget includes \$150 million in new

1 economic development capital funding and
2 \$70 million in state tax credits that will be
3 combined with a wide range of existing agency
4 funding through the consolidated funding
5 application process.

6 The community-based, performance-
7 driven approach of the Regional Economic
8 Development Councils is enabling each region
9 of the state to shape its own economic
10 future, and it is working. As a result of
11 the first three rounds of awards,
12 \$2.2 billion in state funding has been
13 awarded to support more than 2,250 economic
14 development and community revitalization
15 projects that are creating or helping to
16 retain tens of thousands of jobs across
17 New York and generating billions in
18 private-sector investment to grow our state's
19 economy.

20 Moving forward, in the fourth round of
21 the Regional Economic Development Councils
22 the Governor has proposed launching a new
23 initiative, Global NY, which will link the
24 Regional Council and START-UP NY initiatives

1 to accelerate the state's success in growing
2 exports and attracting foreign direct
3 investment.

4 START-UP NY was launched by the
5 Governor on October 22, 2013. And under the
6 Governor's leadership, ESD is continuing to
7 work with a number of colleges and
8 universities on their START-UP NY proposals.
9 We have seen a great deal of interest in this
10 bold new initiative that creates a network of
11 tax-free zones initiated and managed by
12 public and private universities in the state,
13 and eliminates all taxes for businesses in
14 the zones for 10 years.

15 Since the program's launch, we have
16 had hundreds of companies inquire about the
17 program through the START-UP NY website, and
18 many others have approached the schools
19 directly.

20 In this year's budget, Governor Cuomo
21 has also proposed initiatives that continue
22 to grow the state's tourism industry,
23 especially in upstate New York. The tourism
24 industry in New York State had an incredibly

1 successful year in 2013, and is stronger now
2 than it has been in many years. Tourism
3 spending has increased by an estimated
4 \$4 billion from the prior year, and tourism
5 employment in New York has increased by an
6 estimated 25,000 jobs. I note that tourism
7 is now the fifth largest employer in the
8 state.

9 This year, as part of his commitment
10 to tourism as a major economic driver for the
11 state, the Governor is increasing awareness
12 of the state's tourism destinations by
13 launching the Path Through History, I Love
14 New York and Taste NY signage campaigns to
15 get residents and visitors alike off the
16 roads and into our communities.

17 The Governor is also proposing a
18 second summer special event, the 2014 Bass
19 Master Classic, to showcase the state's
20 unparalleled natural beauty and recreational
21 opportunities.

22 Western New York has made great
23 strides in creating jobs and attracting
24 private investment through strategic actions

1 outlined in the Buffalo Billion Investment
2 Development Plan, developed by the Western
3 New York Regional Economic Development
4 Council. With Governor Cuomo's commitment to
5 invest \$1 billion in the Buffalo economy,
6 New York State is helping the greater Buffalo
7 area realize immediate economic growth and
8 put Western New Yorkers back to work, while
9 setting the foundation for sustainable
10 economic opportunity for future generations.

11 In closing, Governor Cuomo has
12 outlined an innovative plan, including
13 extensive tax relief and reform, to create
14 jobs and make New York State a better place
15 to do business. Under the Governor's
16 leadership and by working together with you,
17 our legislative partners, I am confident we
18 will have another great year of economic
19 development success and achievement.

20 So thank you again for this
21 opportunity to testify before you all this
22 afternoon. I am happy to take any questions
23 that you have. Thank you very much.

24 CHAIRMAN DeFRANCISCO: Senator

1 Kennedy.

2 SENATOR KENNEDY: Thank you, Ken.

3 Thank you for your leadership in economic
4 development across the state.

5 Out in Western New York the Executive
6 Budget recommends an \$680 million
7 appropriation for the Buffalo Billion. First
8 I want to say thank you for your work on that
9 initiative as well as the Governor's
10 commitment. Between RiverBend, AMRI, and the
11 Genome Research Center, it seems to be
12 working. This is a commitment that is being
13 made. We're seeing this create jobs in
14 Buffalo and Western New York.

15 Given that the Executive Budget
16 recommends appropriating the rest of the
17 funds, can you just identify how this is
18 going to work, the \$680 million in the
19 budget?

20 COMMISSIONER ADAMS: The \$680 million,
21 as you point out, Senator, is the balance of
22 Buffalo Billion that's been originally
23 committed. And those funds, which are funds
24 and they include Excelsior tax credits and or

1 other benefits, will be allocated through ESD
2 to appropriate projects as they arise.

3 So you cite RiverBend, for example, as
4 a recent example. In that case it's
5 important to note that the \$225 billion
6 that's being committed to RiverBend is really
7 for the infrastructure at that old Republic
8 Steel site, 90-acre site, to create an
9 environment for the investments of Silevo and
10 Soraa, the two energy companies that are
11 committed to going there.

12 By the way, they're poised to invest
13 \$1.5 billion of private industry investment
14 and hire, over time, up to 850 Western
15 New Yorkers to work there at this high-tech
16 facility for energy business development.

17 That model of the funds going to the
18 infrastructure, the building, the equipment,
19 the tools -- and not actually to the
20 companies -- is an important model to note.
21 And that's a pattern of these capital
22 investments, and that's a great example of
23 what we hope to have happen more and more
24 with the Buffalo Billion.

1 SENATOR KENNEDY: And is that funding
2 that is appropriated in the budget, is that
3 funding that needs to be spent this upcoming
4 year?

5 COMMISSIONER ADAMS: No, it doesn't
6 have to be spent this upcoming year. But the
7 budget process would really lock it in and
8 create sort of the stability, so that as we
9 put projects together that are multiyear
10 projects, the private industry partners to
11 those projects would be certain that the
12 funding was in place.

13 Bear in mind in many of our ESD
14 projects, from the moment we offer an
15 incentive package to a company after
16 negotiating when it's accepted, there can
17 really be a period of several years for all
18 the investments to take place. Because of
19 course we don't pay out the state's funds
20 until the companies have finished making
21 their investments and created the promised
22 jobs.

23 So you have that lead time or that
24 project development time that's required.

1 And this action creates a security for that
2 funding.

3 SENATOR KENNEDY: In regard to that
4 funding, the language has shifted slightly,
5 but it has shifted in the budget proposal.
6 Does it provide more flexibility for ESD?
7 Can you just kind of talk to how that
8 language has shifted? I can explain more if
9 you need.

10 COMMISSIONER ADAMS: No, it's the same
11 structure that we've had in place since the
12 initiation of the Buffalo Billion allocation
13 and the whole initiative by the Governor.

14 Number one, the plans really are
15 developed by the Western New York Regional
16 Economic Development Council. Number two,
17 the projects identified by the council or
18 others, if not by the council, need that
19 council's approval and support so that the
20 projects really fulfill the vision, the
21 locally developed vision, of the Western
22 New York Regional Economic Development
23 Council.

24 And when comes to the deployment of

1 our grants or Excelsior or any of this
2 funding, it's under the statutory
3 requirements for accountability, for
4 reporting, as with all of our other programs.

5 SENATOR KENNEDY: In Western New York
6 we've seen higher education working hand in
7 hand with economic development and creating
8 jobs. Can you talk a little bit about how
9 the budgetary items will help to ensure that
10 this practice continues and how we can
11 continue to leverage higher education for
12 economic development purposes, particularly
13 in Western New York and upstate?

14 COMMISSIONER ADAMS: Several
15 initiatives really point to that and to the
16 Governor's commitment to using higher
17 education institutions like UB, in this
18 example, as anchors of local economic
19 development.

20 The budget proposal, for example,
21 contains \$55 million for another round of
22 funding at the competitive NY SUNY 2020
23 grants. It contains capital funding for the
24 investments in the downtown medical campus

1 that you mentioned, AMRI, and other
2 businesses that we're working in the biotech
3 and life sciences sector.

4 And finally, funding, as you know, for
5 this very exciting project that you and I
6 have talked about, Senator, based in the
7 Genome Center in New York partnering now with
8 UB and developing an affiliated center for
9 genomics research and data management at UB,
10 \$50 million in the budget for that.

11 So there are key budget investments in
12 healthcare, life sciences that really come
13 out of the capacity of the UB, and also
14 Roswell Park, where the university is a major
15 driver of that.

16 SENATOR KENNEDY: Can you talk about
17 how ESD will administer all of the new
18 programs like START-UP NY, the Innovation Hot
19 Spots, the incubator funding?

20 COMMISSIONER ADAMS: You mean how we
21 do that internally?

22 SENATOR KENNEDY: Exactly. How will
23 the process play out?

24 COMMISSIONER ADAMS: You know, our

1 structure at ESD is, as I think the committee
2 members know, we have our 10 regional offices
3 which support the 10 regional councils and do
4 the on-the-ground work with you, your
5 constituents and local stakeholders. And
6 then we provide the backup, let's call it the
7 back office support functions of legal and
8 compliance, regulatory requirements, in
9 Albany and in New York City.

10 So we have both the support functions
11 and the on-the-ground what we call deal
12 origination functions, which are really
13 spread out more locally. And our capacity is
14 really quite strong. Our staff is good, our
15 team is good. And, you know, we welcome all
16 this new work. It is an increase in work, I
17 will tell you, from prior years, but we
18 welcome it and we're handling it.

19 SENATOR KENNEDY: And how will this
20 new program interplay with existing programs
21 like the Center for Advanced Technology,
22 Centers for Excellence, Regional Technology
23 Development Centers?

24 COMMISSIONER ADAMS: The Executive

1 Budget proposal has about \$30 million in
2 renewed funding for the technology, the
3 university-based technology programs like the
4 Centers of Advanced Technology, the 15 CATs,
5 or the 10 Centers of Excellence.

6 You know, that's all part of our
7 NYSTAR division, for the last six years
8 headed up by Ed Reinfurt, who alas retired
9 just recently. But all of that has been well
10 incorporated into day-to-day life and
11 activity of ESD.

12 And so that consolidation and that
13 efficiency is part of this broader goal to
14 doing everything we can to be efficient, to
15 be accountable, and to -- again, these are
16 very important programs with important
17 histories, but they're great opportunities to
18 connect the dots with them and move into the
19 future.

20 SENATOR KENNEDY: And then one final
21 question. The length of time for CFA grant
22 reimbursement, can you just talk a little bit
23 about that, the length of time, and if there
24 are concerns with that that you're hearing

1 and if there's any steps that ESD is taking
2 to address the grant reimbursement process?

3 COMMISSIONER ADAMS: I can speak,
4 Senator, most accurately to the process
5 within ESD. But we have to recall that
6 for -- for example, just last year, Round 3
7 of the CFA system in the regional councils,
8 the Governor got 10 different state agencies
9 with 21 funding streams to all come into the
10 system, putting that funding together. So it
11 was about \$720 million. And the ESD portion
12 of that would be the 150 in capital and the
13 70 which was in last year's budget, the same
14 amount as this year, or \$220 million.

15 So with respect to the CFA process, as
16 soon as the awards were announced December
17 6th, our local staff, who works closely with
18 all of those projects that had come up
19 through the system, was able to inform them
20 of their award and begin the contracting
21 process through what usually for us is an IP
22 or an incentive proposal.

23 Because the company, in the case of us
24 allocating scarce taxpayer dollars in the

1 form of cash or tax credits, loans or grants
2 to a company, we set conditions, often
3 conditions created or outlined in statute, of
4 what we expect the company to do in order to
5 receive the incentive package. And we can
6 build in metrics for accountability and
7 reporting over time.

8 So we have to negotiate that with each
9 one of our projects and make an offer. Our
10 offers aren't always accepted by the
11 companies. When they are, then we go to the
12 next stage of project implementation.

13 And again, the usual course is -- and
14 every project is different, Senator. But as
15 soon as the company starts making its
16 investments to buy the building, to put the
17 roof on, to hire the people to buy the
18 equipment, we have milestones that the
19 company has to meet. And as it meets its
20 milestones, we can begin to make payments,
21 recognize the tax credits or make payments.

22 So a project really can take six, 12,
23 18, 24 -- sometimes longer -- in terms of
24 months, but it's determined by the company,

1 our partner, and the pace at which it makes
2 its investments.

3 SENATOR KENNEDY: Thank you.

4 CHAIRMAN DeFRANCISCO: We've been
5 joined by Senator Krueger -- a while back,
6 actually -- as well as Senator Sanders and
7 also Senator Golden.

8 CHAIRMAN FARRELL: And we've been
9 joined by Assemblyman Robin Schimminger,
10 Assemblyman Bill Colton, Assemblywoman Didi
11 Barrett, and Assemblyman Scarborough.

12 First to question, Marge Markey.

13 ASSEMBLYWOMAN MARKEY: Thank you very
14 much, Commissioner. I'm very happy that
15 you're maintaining the funding for the I Love
16 New York program, and that you're proposing a
17 \$3.5 million matching grants program.

18 But there's also \$5 million in
19 proposed funding for Market NY. And I was
20 wondering if you could give some details on
21 the Market NY program.

22 COMMISSIONER ADAMS: Yes, thank you,
23 Assemblywoman.

24 What we'll do with that, which is what

1 we did at the Governor's direction last year,
2 is make that available in the Regional
3 Council CFA process this summer so that local
4 tourism promotion agencies, the local TPAs,
5 the counties, local institutions, tourist
6 destinations, can apply for that marketing
7 funding through the CFA process. It will be
8 a competitive grant program.

9 ASSEMBLYWOMAN MARKEY: Thank you.

10 CHAIRMAN DeFRANCISCO: Senator Smith.

11 SENATOR SMITH: Thank you very much,
12 Mr. Chairman.

13 Commissioner, good afternoon to you.
14 Let me first congratulate you on your
15 shepherding of ESD during what some may not
16 realize is very challenging economic times,
17 especially when it relates to New York
18 State versus the rest of the country.

19 Also on the START-UP NY program, I
20 think it is smart economic policy to partner
21 that with Global NY. I would anticipate some
22 very interesting developments, whether it's
23 from China, India, anywhere around the
24 world -- Dubai. I think a great deal will

1 happen.

2 Of late, and you may have even noted
3 in the papers today you saw Pat Foye
4 encouraging our airline industry to be
5 equitable when it comes to wages. My
6 question is, with that in mind, not having to
7 repeat that challenge going forward with
8 START-UP NY, is there anything that your
9 office or the administration is thinking
10 about with START-UP NY and the benefits those
11 companies will receive in keeping wages in a
12 very fair and equitable way so that we don't
13 have to walk down the same road that we are
14 now walking down with the airlines at the
15 airports?

16 COMMISSIONER ADAMS: Senator, I think
17 the difference -- there's a difference in the
18 type of employers that Executive Director
19 Foye was referring to, I think, in the
20 airline situation and the employers we seek
21 to bring into the START-UP zones in a couple
22 of ways.

23 And so that my answer would be I don't
24 foresee a problem, a similar problem in the

1 START-UP program. That's because there are
2 three types of companies, ideally, that will
3 come into the START-UP zones on college
4 campuses across the state. One will be sort
5 of start-ups that actually hatch out of that
6 very university as the sponsoring
7 institution. Another could be an expansion
8 of a existing New York State company. It's
9 likely to be something that is really
10 research and development, high tech, biotech,
11 life sciences, energy, nanotech, all these
12 different tech fields we've been supporting.

13 And the other, of course, is a firm
14 that moves from anywhere around the country
15 or around the globe, comes to New York and
16 comes into a START-UP zone to get a leg up
17 and get started here in our economy. And
18 those too are likely to be -- because they
19 have to be linked to the academic disciplines
20 of the sponsoring university, they're likely
21 to be globally competitive, cutting-edge
22 technology firms.

23 And I give you that sense of the firm
24 profile because it's my belief that these

1 firms will be paying good wages, because
2 that's the track record, that's the history,
3 and that's actually what they have to do to
4 attract the talent. And so they're likely to
5 be firms paying higher wages with good
6 benefits and providing good jobs. We're
7 quite confident of that.

8 SENATOR SMITH: I just want to make
9 sure we monitor that. We don't want to be in
10 that same situation we're in now.

11 A lot of discussion on the JPMorgan
12 settlement. Do you anticipate ESD receiving
13 anything from the Governor? Or do you
14 anticipate being involved in any of the
15 discussion on how to dispense that, as I've
16 seen in the editorial today where they sort
17 of challenge the Attorney General on his
18 freedom to work those resources? Do you
19 think ESDC will be in line for anything that
20 might be matched up to START-UP NY or
21 Global NY, et cetera?

22 COMMISSIONER ADAMS: We are not a
23 party to those discussions, so I couldn't
24 answer.

1 SENATOR SMITH: So you're hopeful.

2 COMMISSIONER ADAMS: I can't answer.

3 SENATOR SMITH: But you're not a party
4 to that discussion. But you have interest.

5 COMMISSIONER ADAMS: Well, no,
6 seriously, we're not involved in it.

7 SENATOR SMITH: Okay. Last question.
8 Could you just provide me with an update on
9 the Regional Council for Queens and the
10 Southeast Queens area? You know, the number
11 of businesses that have been through there,
12 any of which are now participating that are
13 in the program that receive grants, anything
14 of that nature. We've been to one or two
15 meetings of the council but yet to receive
16 any details on the actual regional council's
17 working.

18 COMMISSIONER ADAMS: Let me first say
19 that I'd be happy, at your convenience, to
20 meet with you after the hearing, in your
21 district office or here, and just go grant by
22 grant. Again, there were 720 funded projects
23 last year, a good number of which in New York
24 City and some in Queens. And I go through

1 with you on a more detailed basis at an
2 appropriate time.

3 But for example -- and this is not
4 Southeast Queens -- one of the projects we
5 were very pleased the New York City Regional
6 Council decided to fund last year was this
7 Queens -- this new incubator. And it's in
8 Long Island City, actually. And a number of
9 other Queens projects.

10 But the other thing I'm thinking about
11 with respect to Southeast Queens and your
12 district in particular, York College. York
13 we believe will be a START-UP site. That's a
14 decision that I believe has been made by CUNY
15 leadership down in the city --

16 SENATOR SMITH: Right. That's
17 correct.

18 COMMISSIONER ADAMS: And we're very
19 excited. And as you know, York hosts many of
20 our Regional Council meetings. We're very
21 excited about working with York on a START-UP
22 application.

23 SENATOR SMITH: And I did not mean to
24 imply that START-UP NY is not working, or the

1 Regional Council. I was only asking for a
2 matter of information as being responsible to
3 the people in that area. When they ask a
4 question, I want to be able to provide them
5 with proper information so that they know
6 that it's all working.

7 COMMISSIONER ADAMS: Right.

8 SENATOR SMITH: Thank you so much.

9 Thank you, Mr. Chairman.

10 CHAIRMAN FARRELL: Didi Barrett.

11 CHAIRMAN DeFRANCISCO: We've also been
12 joined by Senator Bonacic.

13 ASSEMBLYMAN OAKS: And we've been
14 joined by Assemblywoman Corwin and
15 Assemblyman Walter.

16 ASSEMBLYWOMAN BARRETT: Hi. I just
17 wanted to -- as you know, I've been very
18 involved with the Regional Economic
19 Development process. I represent two
20 counties, both of which are in two different
21 districts. So I've had the pleasure of
22 attending two different sets of meetings and
23 executive committee meetings and being part
24 of the process in two different councils.

1 But one theme that keeps coming up in
2 both of the counties is the need for funding
3 streams for infrastructure. And it's been
4 unclear where that fits into the Regional
5 Economic Development Council fundings or
6 other things. And you know, I'm wondering if
7 you can help shed some light on the best way
8 for that, because we've got a lot of towns
9 that need sewer or and water or sidewalks or
10 street lights or things -- and these are
11 small communities, villages and hamlets as
12 well as rural towns. So the best way that
13 you see that going forward, that kind of
14 funding streams.

15 COMMISSIONER ADAMS: It's a common
16 challenge across all 10 of the regions.
17 You've put your finger on something that is
18 really vital. And in many communities
19 there's not much more we can do to attract
20 new investment until we shore up the
21 infrastructure.

22 ASSEMBLYWOMAN BARRETT: Right,
23 exactly.

24 COMMISSIONER ADAMS: So the system

1 last year had funding for infrastructure,
2 depending on the type of project, from a
3 variety of state agencies, including ESD
4 having capital funds available. But the
5 Environment Facilities Corporation, the
6 Department of State, Homes and Community
7 Renewal, which has the HUD and DHCR funding.

8 So there are a number of funding
9 streams that -- even, frankly, in NYSCA and
10 in the Parks budget -- that are part of
11 Regional Council. So it would depend on the
12 project.

13 And what I'd be happy to do is as we
14 put the system together for the Governor this
15 spring, sit with you, look at the needs of
16 the communities that you're talking about,
17 and make sure that the project applicants are
18 getting into the CFA process this spring and
19 applying for the appropriate funding streams.
20 It's, again, a need all across the state, and
21 I'd be happy to help you identify the
22 specific programs.

23 ASSEMBLYWOMAN BARRETT: That would be
24 great. Because it does seem it's a little

1 bit of an overwhelming puzzle.

2 And you're absolutely right that until
3 we get that infrastructure, it gets very hard
4 to attract the businesses that we want to
5 have in the region.

6 Okay, thanks very much.

7 CHAIRMAN DeFRANCISCO: Senator
8 Sanders.

9 SENATOR SANDERS: Good to see you
10 again, sir. It's even good to speak to you.
11 I trust that you haven't been grilled too
12 hard so far.

13 COMMISSIONER ADAMS: Do you intend to
14 start?

15 (Laughter.)

16 SENATOR SANDERS: Well, I actually
17 did, so.

18 There's a view, sir, that New York
19 City is not getting its fair share of the
20 resources that we have. And if this is
21 true -- and there may be mitigating
22 circumstances for it. It could be that the
23 need in the north is so intense that we first
24 deal with that and, as time goes on, we share

1 the wealth, if you wish. If this is true, it
2 would be good for us in the south, if you
3 wish, to know about it.

4 But in terms of Hurricane Sandy, on
5 one hand a disaster has hit our great state
6 and has done incredible damage. On another
7 hand, it allows for us to rethink a problem,
8 to look at it and say what can we do to
9 address this differently. And you sit in
10 that particular seat that, unlike any other
11 seat, where you are given the chief
12 responsibility of looking at it differently.

13 We have been unable to really deal
14 with the questions of poverty and
15 underdevelopment in many communities,
16 especially the ones that I come from -- the
17 Rockaways quickly comes to mind, and several
18 other of my communities. What are your
19 ideas, what can we do together to address
20 this issue and go from a crisis into
21 something better for our great state?

22 COMMISSIONER ADAMS: Two answers,
23 Senator, to the -- so I can address the first
24 part of your observation, and then I hope a

1 helpful answer to the second part, to your
2 question.

3 It is true that the New York City
4 Regional Economic Development Council,
5 compared to the other nine councils, has
6 received less funding just by the math. But
7 we have to remember it's a competitive
8 process. The Governor says this all -- it is
9 a competition every year, every fall,
10 evaluation of those projects. So I first
11 want to start by agreeing with your
12 observation, because, you know, you're good
13 at math, and that math is correct.

14 However, what's important to note in
15 New York City's case, and frankly for all 10
16 of the regions, is that we have additional
17 ESD programs that kind of go 24/7, that
18 operate all time when there is a need.

19 So if we think about Madelaine
20 Chocolates on Rockaway, a firm you introduced
21 me to in the aftermath of Hurricane Sandy, we
22 had a real problem, 450 jobs, factory jobs
23 making Easter egg bunnies and all those other
24 treats that they make -- wrapped chocolates,

1 for panel members not familiar with Madelaine
2 Chocolates. And we did not have a tool to
3 help them.

4 And working with you and with your
5 colleagues, we were able to fashion a version
6 of the Excelsior tax credit program to help
7 create an incentive for Madelaine, frankly,
8 to stay in Rockaway. And they've started
9 rehiring, they've hired about 150 people, and
10 they're continuing to rehire. And we hope
11 frankly at least by Easter they're making
12 Easter egg bunnies again.

13 But I point that out to (a) recognize
14 that you were the one who introduced me to
15 the problem, and (b) we have tools, this is a
16 case outside the Regional Council system,
17 when a situation arises like that, that we
18 have to step in and find a way to be helpful,
19 as we were there.

20 And to the final point that you've
21 made, you know, I think that we have to be
22 ever-vigilant about connecting communities
23 that have not been connected to the economic
24 mainstream to these new initiatives that are

1 happening all across the state, to the good
2 news, so that the good news, the good
3 economic news, benefits everybody in every
4 neighborhood.

5 And under the Governor's leadership,
6 last year we introduced something in the
7 Regional Council system called the
8 Opportunity Agenda, the goal of which was for
9 each Regional Council to identify a
10 community, they could identify it, of
11 community of need, a part of the region, and
12 a specific set of strategies -- it could be
13 workforce development, it could be daycare,
14 it could be transportation -- that would
15 connect that community to the bigger economic
16 development initiatives happening in the
17 region.

18 And so with that, as an example, the
19 Governor is very mindful and we are
20 frequently by Secretary of State Perales, who
21 oversees that initiative, and by the
22 Governor, directed to make sure everybody is
23 included, including, obviously, the
24 constituents that you've described. So thank

1 you.

2 SENATOR SANDERS: I want to also thank
3 you, sir, for your real attention to detail
4 in terms of the crisis and your being out
5 there.

6 I, sir, certainly am familiar with
7 Madelaine Chocolates, and in fact my waist
8 size shows that every day.

9 And we certainly need to do more. In
10 the days to come, I hope to bring to you some
11 new initiatives, I have some more ideas of
12 things that we can do together to relieve the
13 suffering out in that area.

14 Thank you, Mr. Chair.

15 CHAIRMAN FARRELL: Thank you.

16 Assemblyman Scarborough.

17 ASSEMBLYMAN SCARBOROUGH: Thank you.

18 Good morning. A couple of things. I
19 know we've had some recent conversations, and
20 so you're aware of my concern about
21 legislators being able to get information in
22 regard to the Regional Economic Development.
23 And we've spoken about that.

24 Can you talk about the small business

1 initiatives in this budget?

2 COMMISSIONER ADAMS: Yes. And I'm
3 glad you asked that, remembering of course
4 your role as chair of that committee and our
5 work together.

6 I think it's very important that
7 initiatives that the -- and we really started
8 when the Governor first took office now three
9 years ago -- have gained traction and are
10 getting in this Executive Budget ongoing
11 funding. And in some cases, because of
12 federal sources, we've been able to secure
13 important increases. So just a couple of
14 examples. And then again, as you've noted,
15 we can continue to work together on this
16 outside the hearing process.

17 But, you know, the budget supports
18 some very important activities around small
19 business lending and access to capital and
20 surety bond, performance bond guarantee
21 programs, particularly as part of our MWBE
22 division. So just in one example, we have an
23 MWBE bonding assistance program to help the
24 firms that get certified get access to

1 affordable bonding so they can actually bid
2 on and get jobs and get work.

3 That was a program that we used
4 federal funds for. The Governor directed us
5 to a source of funds in U.S. Treasury. We
6 got about \$10 million for that program. We
7 partnered with surety underwriters and have
8 now deployed that to several hundred firms
9 applying for bonding assistance.

10 We put a new program in place --
11 again, funded by this new Executive Budget
12 and continue to the new year -- to actually
13 provide, in effect, beyond the bonding a
14 low-interest loan to a MWBE or small firm
15 that gets a contract but actually has to go
16 out and buy the materials or hire the people,
17 like a working capital loan. So that also is
18 taking off, funded in the budget.

19 We have a \$50 million revolving loan
20 fund that we started in Year -- I shouldn't
21 say Year 1. Really, 2011. And it is pretty
22 much fully subscribed. Over 20 banks,
23 different financial institutions, responded
24 to an RFP to be our lending partners. And so

1 that money gets leveraged by their taking
2 some of our guarantee and then making small
3 business loans. And it's, again, fully
4 subscribed, so there's a lot of activity
5 there.

6 I can give you some more details, but
7 the point of this is our access to capital
8 programs, which include the bonding
9 assistance, the small business lending, the
10 JDA, which is now doing small loans to
11 private, usually family-owned manufacturing
12 firms around the state, and finally our
13 equity -- we have these two funds, the
14 Innovation Venture Fund, which is the newest
15 one, where we make small equity investments
16 into start-up firms that need financial
17 assistance to get off the ground.

18 So we've never had such a broad array
19 of financial assistance tools for small
20 business. And I would add, as you well know,
21 our network of Entrepreneurial Assistance
22 Centers across the state is running full
23 tilt. Our SBDCs, 24 of those on SUNY and
24 CUNY campuses, the Small Business Development

1 Centers, very, very busy, especially in the
2 aftermath of Hurricane Sandy, because that's
3 where we sent businesses for advice. But
4 that's how we provide on-the-ground
5 assistance.

6 And finally, one last program that the
7 Governor just recently announced, which we
8 put together with some of the Sandy funding,
9 which is a statewide mentoring program for
10 small businesses. Meaning a one-stop shop
11 for business technical assistance where
12 you're getting your advice and your
13 assistance from a business professional --
14 from a lawyer, from an architect, from an
15 engineer, from a financial planner -- who
16 volunteer their services. They began doing
17 this volunteer work to help businesses
18 affected by the storm. We've actually asked
19 them to sign up to do it full-time as
20 volunteers.

21 So it's an online network. It's a
22 unique program, actually, which we're rolling
23 out all across the state now so that small
24 businesses can ask a question, get a mentor,

1 get a relationship, someone who's more
2 established in there careers who's been
3 vetted and screened and who's giving them
4 advice to help them grow their business.

5 So that's the technical assistance
6 side as well, a full menu, if you will, of
7 small business programs.

8 ASSEMBLYMAN SCARBOROUGH: Yeah, I
9 would like to get some more information on
10 that mentoring program. It sounds like a new
11 initiative.

12 And as you and I have both spoken in
13 regard to the bridge loan and the minority
14 revolving loan fund, I'd like to talk to you
15 about how we can get the information out.
16 Because I don't think enough people are aware
17 that that's available. So we'll have that
18 conversation and see how we can work on that
19 together.

20 COMMISSIONER ADAMS: Thank you.

21 ASSEMBLYMAN SCARBOROUGH: The other
22 thing, I know the RFP for the disparity study
23 is supposed to come out sometime soon,
24 probably during this session. Is there

1 anything you can tell us about that at this
2 point?

3 COMMISSIONER ADAMS: Well, one thing
4 that we will be looking at in the RFP for the
5 new disparity study, the funding for which is
6 in the Executive Budget -- and the funding
7 amount, you may have noticed, is increased
8 over the last disparity study, because this
9 one will be much broader.

10 The first study only looked at a small
11 set of state agencies and their procurement
12 experiences with MWBE firms. We now have
13 98 executive branch agencies and authorities
14 in the MWBE system. So the disparity study
15 is going to have -- we're working on the
16 scope of that study -- a much broader scope,
17 it's got to look at a lot more activity, it's
18 going to be much more comprehensive.

19 ASSEMBLYMAN SCARBOROUGH: Okay. And
20 that should be done in the next month, is
21 that right?

22 COMMISSIONER ADAMS: We will work on
23 the RFP this year and the procurement later
24 this year. But the actual study is 2016, I

1 believe.

2 ASSEMBLYMAN SCARBOROUGH: Right, I
3 understand that. But I mean the RFP.

4 COMMISSIONER ADAMS: And that's a
5 function of the MWBE law from 2010.

6 ASSEMBLYMAN SCARBOROUGH: Okay.

7 Thanks.

8 CHAIRMAN DeFRANCISCO: Thank you.

9 Senator Golden.

10 CHAIRMAN FARRELL: We've been joined
11 by Assemblywoman Earlene Hooper.

12 SENATOR GOLDEN: Thank you,
13 Mr. Chairman.

14 Thank you, Commissioner, for being
15 here today. Ken, it's a privilege to get the
16 opportunity to go over some of the economic
17 developments going on across the state. And
18 again, my focus is probably not only the
19 state but the City of New York as well.

20 We've seen the Dodd-Frank bill, what
21 it's done to -- partly what it's done to Wall
22 Street. We don't see the jobs that we used
23 to see there, for the income is not coming
24 into the state. We see the different

1 healthcare bills, state, federal, and what
2 that's doing to the insurance industry. And
3 it's only a matter of time before we start to
4 see a drop in the number of jobs in that as
5 well, and income into the state.

6 So we need new resources coming into
7 the state. And you have been a leader with
8 these Regional Councils. I sit in the one in
9 New York City, and we are doing good work
10 down there. We have a lot more to do.

11 To find those new resources, we find
12 the film tax credit, which works pretty well
13 across the downstate area. We'd like to see
14 it obviously work a little bit better in the
15 upstate regions. But it's doing extremely
16 well in the downstate region.

17 Taking that same concept, that film
18 tax credit, and looking at that at gaming,
19 today we see gaming is a \$60 billion
20 industry. We see the United States probably
21 in \$20 billion to \$30 billion of that. And
22 in that \$20 billion to \$30 billion, you see
23 California with \$2.3 billion with
24 50,000 employees, we see New York State with

1 5,000 employees with \$270 million coming into
2 the state. A great disparity. Texas, other
3 states with incentives.

4 Are we working in that area to
5 incentivize that? I know of we have some hot
6 spots set up, I know that they're working. I
7 see there's extra money going into the hot
8 spots for incubators. But are we doing
9 anything specifically for gaming? And the
10 reason I point that out is the Grand Theft
11 Auto, which is a New York company, which did
12 a billion dollars in three business days and
13 shifted 200 jobs the same week to Las Vegas.
14 We have to find a way of keeping those jobs
15 here. I'm wondering if your group is working
16 on that.

17 COMMISSIONER ADAMS: It's a very
18 helpful observation, and I appreciate your
19 advocacy on the topic. And I appreciate the
20 draft proposal that you've shared with me
21 recently, because you've put your finger on a
22 great economic development opportunity for
23 the state.

24 And at first when the Senator kept

1 talking to me about gaming, I thought he
2 meant something else. He means video games,
3 electronic and entertainment video games.
4 You know, the likes of which -- I guess as
5 you just gave a good example. Not the other
6 kind of gaming.

7 And your research, your staff's great
8 research on California, Texas and New York
9 and that disparity, is a wake-up call that we
10 need to do things.

11 Now, the short answer would be
12 START-UP NY should be quite relevant to these
13 companies because they're not
14 capital-intensive, they are all about the
15 creative economy, digital media, those sorts
16 of jobs. So we should look to recruit them
17 at the appropriate campuses and START-UP
18 zones.

19 We do have, whether it's the Excelsior
20 tax credit program or other programs at ESD
21 that I was mentioning to Assemblyman
22 Scarborough. Those for the smaller firms
23 would be relevant. And we look forward to
24 working with your office to identify specific

1 companies, to look more at your proposal. I
2 have shared your proposal with the Governor's
3 office because again, Senator, you've put
4 your finger on a great economic opportunity
5 for the broader creative economy and the
6 general economy of the state.

7 And the other thing I'd finally say is
8 that while I know your district well and the
9 area you represent, this is an idea, as you
10 well know, that could work in any area of the
11 state, especially where there are
12 universities and colleges and there are young
13 people who are creative and who can work with
14 the technology. It's all digital. It can be
15 done remotely, it can be done from anywhere.
16 So it's a very powerful idea.

17 SENATOR GOLDEN: We're also looking at
18 the biomed, we have 16 hospitals across
19 New York where they could -- a lot of great
20 ideas, a lot of great incentives come of
21 them, a lot of intellectual properties they
22 discover here in the State of New York, and
23 they leave us {snapping fingers} like that.

24 We have to find a way of taking that

1 intellectual property, taking it from its
2 concept and bringing it to fruition to
3 marketing. And not only with the biomedes but
4 with the biotechs as well, and working
5 through our incubators.

6 And I'm wondering if there's more
7 access to incubators -- in the START-UP NY,
8 how are we getting these companies attracted
9 to the incubators and how are we going to
10 hold those companies here once we attract
11 them and they create that incentive or that
12 new idea, that new game or that new cure of
13 cancer or whatever?

14 COMMISSIONER ADAMS: There are over
15 50 recognized incubator facilities in the
16 state, and most are affiliated with a college
17 or university. So they could be easily
18 incorporated, almost automatically, into a
19 START-UP zone and offer those tax benefits to
20 companies like those that you're describing.

21 And also you mentioned the Innovation
22 Hot Spots. As part of last year's budget
23 process, committee members will remember last
24 year's budget designated a small amount of

1 funding, but it was very helpful to get them
2 started, the creation of five of these
3 Innovation Hot Spots across the state --
4 again, through the CFA competition -- and
5 10 incubator programs. So for 15 in total.

6 This year's Executive Budget advocates
7 for another round of another five Hot Spots
8 to be created and funded through the
9 Regional Council process, and then another
10 five incubators. So there would be a total
11 of 15 incubators. So that's in the proposal.

12 And those facilities, again,
13 partnering with great universities upstate,
14 downstate, all over, become the places for so
15 many of these companies.

16 SENATOR GOLDEN: We need to be able to
17 do that. With the incubators we've got to
18 find a way of getting that angel investor
19 involved, we have to find a way of getting
20 that, as you spoke of, that group, the
21 accountant, the lawyer, the marketing person
22 that's going to take that idea, that
23 initiative. We put the initiative out there,
24 and we put some incentive to it. And if they

1 don't stay with us for five years, we find a
2 way of clawing that back.

3 So that we can create the jobs of the
4 future for our kids. Obviously they're not
5 going to be in finance and other areas here
6 in the City and State of New York. We need
7 to be able to incorporate this across the
8 State of New York where it works, from
9 Buffalo to Brooklyn. And I think we can do
10 that.

11 I want to hit two more quick
12 questions. Sandy was one of the issues
13 brought up. Are you working side by side or
14 is the state working side by side with the
15 City of New York and the Army Corps of
16 Engineers when it comes to mitigating,
17 especially on the shorefronts in areas such
18 as Queens, Staten Island, Brooklyn, Nassau,
19 Suffolk -- areas that have real concern that
20 money is starting to dwindle away. And I'm
21 just trying to figure out, is there going to
22 be enough dollars there for this mitigation
23 so we can prevent this type of problem in the
24 future?

1 COMMISSIONER ADAMS: The answer would
2 be yes. And although ESD, our role is
3 limited to providing assistance to businesses
4 affected by the storms. And in that,
5 actually, it's all of the businesses affected
6 by Sandy in that case outside of New York
7 City.

8 So we've deployed a large number of
9 loans and other forms of assistance to
10 businesses in Long Beach and, you know, up
11 and down, again, Nassau and Suffolk Counties
12 and in the Lower Hudson Valley. So, again
13 ESD just does the small business assistance.

14 But more broadly, the Governor's
15 initiative on the CRZs, the Community
16 Reconstruction Zones, the whole planning
17 process of the zones identified communities
18 identified by Irene and Lee and Sandy. That
19 initiative, from what I understand, involves
20 a great level of coordination with the local
21 authorities -- and in the city's case, to
22 your point, with New York City agencies.

23 And one of the reasons that's been
24 facilitated and been so successful is that

1 the Governor recruited someone who had served
2 in the Bloomberg administration, Seth
3 Diamond, to oversee a lot of our work, along
4 with Jamie Rubin. And so he's got his
5 relationships with city government, and
6 that's going very well.

7 CHAIRMAN DeFRANCISCO: Next
8 questioners, Chairman Farrell?

9 SENATOR GOLDEN: Thank you, sir.

10 CHAIRMAN FARRELL: Assemblywoman
11 Corwin, please.

12 ASSEMBLYWOMAN CORWIN: Thank you,
13 Mr. Chairman.

14 Thank you, Commissioner. Just to get
15 back to the discussion on small businesses, I
16 mean they represent I think it's 98 percent
17 of the businesses in this state. There's
18 4 million New Yorkers employed by small
19 businesses. ESD has been great about
20 offering all these programs. We've got
21 START-UP NY, we've got Hot Spots, we've got
22 all these wonderful ideas. And at one point
23 or another I'm sure there's a program out
24 there that's going to help every small

1 business that's in the state.

2 The problem is, and what I'm hearing
3 from New Yorkers is that they're so busy
4 running their business, they don't really
5 have the time or the inclination or the
6 manpower to be able to go out there and
7 research and find out do I qualify for being
8 a START-UP NY, do I qualify for some sort of
9 a tax benefit.

10 And you can see that through the
11 Industrial Development Agencies. You know,
12 you see not all businesses are out there
13 applying for benefits because a lot of them
14 just don't have the ability to do that.

15 Maybe you could speak to the
16 priorities, as far as ESD is concerned, when
17 it comes to those types of programs. Is that
18 your idea of how we're helping businesses,
19 you know, small businesses, by offering all
20 these programs? Or do you think perhaps it
21 might be better to just approach it by
22 lowering -- you know, having broad-based tax
23 cuts like a corporate franchise tax cut?

24 I mean, when I was a business owner,

1 like I said, we didn't participate in these
2 kinds of programs. We didn't have the time
3 or the ability. But when we were looking at
4 opening a business in other states, the first
5 thing we did was look at the tax rates versus
6 other places that we can relocate.

7 So can you speak a little bit about
8 the priorities for Empire State Development?
9 Are you focusing and trying to advocate to
10 get these lower franchise tax rates, or is it
11 mainly just focusing on these programs?

12 COMMISSIONER ADAMS: It would be both.

13 Because you are absolutely right, that
14 improving the broader business climate so
15 that all businesses can be more successful,
16 hire more people, create next jobs, is vital.
17 As it's also vital to our ability to attract
18 new investment into the state and to, as the
19 Governor likes to say, get investors and
20 business owners from around the country to
21 give New York State a second look. Because
22 of its -- otherwise, its reputation of not
23 being very business-friendly.

24 So the broader reforms that lead to

1 improvements in the business climate by
2 broad-based tax reductions, by business tax
3 reductions like those that are proposed in
4 the Governor's Executive Budget, are vital.
5 I would argue you couldn't do economic
6 development, the programs that you described
7 that we have wouldn't really be relevant or
8 effective if you didn't do both.

9 So part of the answer is yes, we are
10 very supportive of the Governor's Executive
11 Budget and particularly those proposals that
12 improve the broader business climate. But we
13 also serve often as a conduit to the business
14 community and, for example, get input at the
15 Governor's direction around regulatory reform
16 and other issues.

17 And when he hosts these summits, like
18 the Wine, Beer and Spirits Summit or the
19 Tourism Summit, the Path Through History
20 Summit, many of those are gathered around his
21 desire to get direct input from small
22 business owners. I mean, the Wine, Beer and
23 Spirits Summit is probably one of the best
24 cases in point there because they were all

1 small businesses that came to the summit, and
2 they put a host of regulatory reforms and
3 other needs on the table, and the Governor
4 has been acting on those and we've been
5 trying to help ever since.

6 And so the answer is yes, we have
7 these programs and they're very helpful, but
8 they have to happen in conjunction with the
9 broader reforms the Governor is advancing to
10 improve the business climate. And as much as
11 they do happen in partnership, then they'll
12 be more effective and we'll get the phone to
13 ring, or the email will come in, and we'll
14 have more businesses, more small businesses
15 that we can help with those programs.

16 ASSEMBLYWOMAN CORWIN: Great, thank
17 you.

18 And just one other real quick question
19 regarding Innovation Venture funds. You've
20 talked about, you know, basically it's seed
21 capital to get small operations or, you know,
22 people with new ideas, commercializing their
23 ideas.

24 Does Empire State Development keep

1 track of the success rate on those kinds of
2 operations? I mean, are we tracking better
3 than the private sector on that? I mean, I
4 worked on Wall Street for a while and I know
5 six out of 10 businesses failed. Are we
6 holding true to that statistic? Are we
7 finding that we're doing better than the
8 private sector in terms of picking ideas that
9 should be commercialized and helping them to
10 be successful?

11 Because to the average taxpayer, to
12 lose 60 percent of their money that's going
13 into these seed funds, I'm not sure how many
14 taxpayers are going to be happy doing that
15 for a long period of time if we don't do
16 better than what can be done in the private
17 sector.

18 COMMISSIONER ADAMS: An excellent
19 point. And it certainly would be our desire
20 to have our funds perform well so that there
21 would be increased investor confidence --
22 i.e., taxpayer confidence -- in our ability
23 to do that.

24 But so that you sleep better tonight,

1 let me tell you how it works. We don't make
2 the direct investments in this program. We
3 did an RFP, 20 different investment
4 professionals from around the state who were
5 fund managers already in practice with deal
6 flow, with pipeline deals, competed. We
7 identified seven, for a variety of reasons --
8 some local, some regional, some because they
9 had expertise in areas we wanted to pursue.

10 And then we took this funding -- which
11 was federal funding, by the way, from U.S.
12 Treasury, and some funding from Goldman Sachs
13 that we got from their Community Development
14 Bank, total \$35 million. That went out to
15 those seven funds for them to use their
16 professional expertise and for them to make
17 the investments.

18 And they are making those investments
19 now. They range from \$100,000 to \$500,000.
20 This is sort of pre-revenue, you know, seed
21 stage capital to mostly technology firms all
22 around the state.

23 So we do it with experts and with
24 partners so that we can have a higher rate of

1 return and produce a good result and build
2 investor confidence. And your confidence,
3 frankly.

4 ASSEMBLYWOMAN CORWIN: Okay. And do
5 we keep track of that?

6 COMMISSIONER ADAMS: Oh, absolutely.
7 Yeah, we have reporting requirements to our
8 fund partners. We don't write the check and
9 walk away, we stay on top of them, we watch
10 the investments, and we look for performance.
11 And we look for returns.

12 ASSEMBLYWOMAN CORWIN: Okay. And we
13 make that information available to the public
14 so they can see how we're doing with it?

15 COMMISSIONER ADAMS: Yes. Absolutely.

16 ASSEMBLYWOMAN CORWIN: Terrific.
17 Thank you very much.

18 COMMISSIONER ADAMS: Thank you.

19 CHAIRMAN DeFRANCISCO: Thank you.

20 We have been joined for some time by
21 Senators Little and Felder.

22 And the next questioner is Senator
23 Krueger.

24 ASSEMBLYMAN OAKS: And we've been

1 joined by Assemblyman Crouch.

2 SENATOR KRUEGER: Good afternoon.

3 So the state has a long history of
4 economic development programs, tax credits,
5 other types of incentives, grants. Where do
6 we all go look for the reports that show us
7 what kind of bang for the buck we've been
8 getting in each of those programs?

9 COMMISSIONER ADAMS: Many of the
10 reports are available on our ESD website, or
11 we can otherwise deliver them to you.

12 Depending on the program, there are
13 different reporting requirements, as you well
14 know. So the old Empire Zones program, which
15 we still manage for the companies that remain
16 in the program, those companies file annual
17 statements about their progress and their
18 compliance and so on.

19 The Excelsior jobs program, all of the
20 programs really created in partnership with
21 you, in statute, have reporting requirements.
22 And so we frequently -- I sign off on these,
23 so I see them. We deliver these on whatever
24 the basis is. It could be, you know, in the

1 month of December or the first two weeks of
2 the new fiscal year, whatever the law
3 requires, to the legislative leaders, as
4 required by that law.

5 So now, so there's a full accounting
6 of all the programs. And any one that you're
7 particularly curious about, we could go look
8 it up for you.

9 SENATOR KRUEGER: So what I am curious
10 about, the brownfields tax credit, we've
11 spent a billion dollars of state money on
12 that so far. Is there a study up on your
13 website showing what kind of jobs and other
14 economic activity we've gotten for that
15 billion dollars?

16 COMMISSIONER ADAMS: I don't believe
17 we would have at ESD a report on what is
18 fundamentally a DEC program. But we could
19 certainly still work with DEC and help you
20 find it.

21 I can say, as I suspect you and others
22 may know, that since the program's inception,
23 DEC issued about 500 certificates of
24 completion recognizing cleanup projects of

1 contaminated industrial sites all over the
2 state that have been completed.

3 And there has been, as you know, an
4 ongoing demand in many quarters for
5 continuation of the program. It was set to
6 expire. And the Governor's Executive Budget
7 does continue it, which we think is a good
8 thing, albeit with important reforms and
9 changes so that in the future things like the
10 reporting that you suggest will be increased
11 and the level of kind of control over
12 economic development outcomes will be much
13 stricter. And this is a good thing.

14 SENATOR KRUEGER: I agree that they
15 should be stricter. Of course there's
16 demand; it's lot of money. But who is
17 evaluating whether there are jobs created and
18 new economic activity that wouldn't otherwise
19 be there if not for the program?

20 COMMISSIONER ADAMS: In the Executive
21 Budget proposal, with respect to
22 reauthorizing the Brownfields Program, there
23 are several key changes, and one really does
24 involve us at ESD. And that's the idea.

1 that -- you know, there are several
2 conditions that would lead to acceptance in
3 the program. You know, one is, for example,
4 properties that are considered upside down
5 financially. That is to say, the cost of the
6 cleanup is greater than the value of the
7 property, so why would you bother.

8 Another condition is significant
9 economic impact. Now, to meet that condition
10 the project has to be supported by local
11 officials and the local government as a
12 valuable, high-impact project, job-creating
13 project for the community. Once we see that
14 at ESD, we then actually go to your point,
15 Senator. There are very specific -- in the
16 proposal there's specific benchmarks or
17 minimums for job creation. So a
18 manufacturing project has to create a hundred
19 new jobs. A warehousing project or something
20 is like 300. There's a different tier.

21 There are specific job requirements.
22 It has to be a project of a certain scope in
23 terms of capital investment by the company or
24 the developer, and jobs created -- again, a

1 hundred or more, depending on the industry.
2 I think R&D actually might be 50. But you
3 have to meet those job requirements to get
4 into the program.

5 This is a new feature of the program.
6 If ESD reviews that application and agrees
7 with the local officials and looks at the job
8 projections and determines that it's a
9 project of significant economic development
10 impact, then we would report that to DEC and
11 they could admit the project into the
12 program.

13 SENATOR KRUEGER: And am I going to
14 going to find on a report or in a group of
15 reports how effective clawbacks of state
16 funds have been when a company does not
17 fulfill their obligation under tax credit and
18 other incentive programs?

19 COMMISSIONER ADAMS: Yes. I mean, we
20 can certainly report that to you.

21 And I will say that this is especially
22 true with the Excelsior tax credit program,
23 which is the program that we use most
24 frequently, both through regional councils

1 and through our ongoing work at DEC. And any
2 of our loans and grants that we build into
3 every -- I described this process earlier to
4 Senator Kennedy's questions about how we set
5 up the incentive proposals. We build in
6 clawback provisions to every deal. And we're
7 very clear. And we have a team of lawyers at
8 our New York City office that enforce these
9 provisions.

10 And so if we have to -- well, not to
11 name names of companies right now, but there
12 are situations I'm aware of where just this
13 year we have been getting payments back from
14 companies who failed to meet the agreed-to
15 job creation numbers. We chase that down,
16 and believe me, Bob Megna wants that money.
17 And the state collects that money.

18 SENATOR KRUEGER: And so there is one
19 centralized report, or that's in different
20 reports on your website?

21 COMMISSIONER ADAMS: It would probably
22 be in different reports. It would depend on
23 the type of funding or tax credit that the
24 company received. So we issue an Excelsior

1 report on the Excelsior programs, for
2 example.

3 SENATOR KRUEGER: And so the
4 *Poughkeepsie Journal* two days ago reported
5 that IBM is going to be laying off some
6 significant number of people. Is the
7 expectation that we will be receiving tax
8 payments from IBM based on the fact that they
9 have made deals not to reduce their workforce
10 but apparently are planning to do so?

11 COMMISSIONER ADAMS: In that situation
12 I believe we would not, for this reason.

13 Going back a number of years, we have
14 provided a little over \$200 million to IBM in
15 the form of incentives on a variety, I can
16 think of 8 to 10 different programs and
17 projects. IBM, in turn, has invested about
18 \$11 billion in the state and clearly is one
19 of our great iconic companies in many
20 respects. But every one of the incentive
21 programs ESD has given to those offers is
22 whatever the different programs were that we
23 provided to IBM as part of that major
24 investment and employment and growth over

1 many, many years. All the terms and
2 conditions have been fully met.

3 In fact, in terms of job retention and
4 job creation numbers that IBM was obligated
5 to provide, they far exceeded, by multiples,
6 their original job retention or creation
7 requirements for the projects that we funded.
8 So that would mean there really is no basis
9 for any sort of clawback with IBM.

10 And I would add that interestingly --
11 and this is a shift the Governor has made
12 which is consistent with something I
13 mentioned to Senator Kennedy. Our big
14 investments, capital investments in major
15 economic development projects that benefit
16 companies like IBM tend now not to go
17 directly to the company but to fixed assets
18 that New York State owns.

19 So if you think about CNSE here in
20 Albany, Global Foundries, many of these.
21 Nano Utica, for example, is a good example.
22 And the Buffalo project the Senator brought
23 up is a good example. IBM, the same thing
24 with respect to Nano Utica, 4C.

1 We're funding R&D capacity in the
2 Global 450C initiative, \$400 million of state
3 money. But it's going to SUNY, SUNYIT and
4 CNSE, to build capacity, tools and equipment
5 that the state will own and that IBM benefits
6 from. And so it's a different model now than
7 it was some years ago when IBM struck those
8 original deals.

9 SENATOR KRUEGER: I'll have to
10 continue in the next round. Thank you very
11 much.

12 CHAIRMAN FARRELL: Thank you.
13 We've been joined by Felix Ortiz.
14 Next to question, Robin Schimminger.

15 ASSEMBLYMAN SCHIMMINGER: Good
16 afternoon. May I compliment my colleagues on
17 many fine questions.

18 Let me mention that my constituents
19 are very excited to see on television the
20 news that it's a new New York State, that
21 we're open for business. They see on the
22 television advertisements something about
23 START-UP NY and tax-free zones. Ads have
24 been paid for out of sweeps from NYPA;

1 \$100 million in the last two years, another
2 50 is asked for this year. I don't want to
3 ask about the ads.

4 But what I do want to ask about is
5 START-UP NY, because all of that advertising
6 is now filtered down into this program. I
7 think now in the rotation of ads I see a lot
8 more START-UP NY ads.

9 You mentioned in your testimony,
10 Commissioner, that so far a number, a number
11 of colleges have expressed interest, and
12 hundreds of companies have inquired. So
13 could we drill down just a little bit, and
14 could you be a little more numerical with us?
15 You know, in SUNY there are, I think,
16 64 campuses. There's a hundred-plus
17 independent colleges. How many are really
18 thinking about this?

19 COMMISSIONER ADAMS: I think lots,
20 many are thinking.

21 ASSEMBLYMAN SCHIMMINGER: A high
22 number.

23 COMMISSIONER ADAMS: In a drill-down
24 to a number, we've got a little over

1 40 applications or kind of preapplications
2 from universities, research universities,
3 colleges, community colleges that are very
4 interested in the program. And in the next
5 few weeks I hope to be able to report to the
6 Governor that some will be actually
7 certified.

8 So the interest there -- and by the
9 way, just to bring it near your district, the
10 UB application actually has 13 different
11 sites in it, not just one. So some schools
12 will identify different properties that they
13 have in their domain and actually have a
14 variety of sites that they proposed.
15 Onondaga community college has an excellent
16 application; it's got at least four sites in
17 it.

18 So we're looking at these and working
19 with SUNY to process those applications. We
20 want the zones certified and available for
21 business as soon as possible. Which gets to
22 your point about the television commercials.

23 I suppose you make a good point, or
24 imply one, which is we could have held off on

1 the TV ad campaign for START-UP until we had
2 a certain number of campuses all ready to go,
3 but we decided instead to do it just sort of
4 two tracks at the same time, so that as the
5 schools get their applications certified, we
6 already have companies interested.
7 Otherwise, if we'd done a more linear
8 approach, you know, we'd wait a certain
9 period of time, have some number of schools
10 and then go put the ads up and then try to
11 attract the companies.

12 There's an urgency here to sustaining
13 private-sector investment and job growth,
14 especially upstate. And because of that
15 urgency, we're just doing it all -- we're
16 working hard and doing it all at the same
17 time so we can match the companies responding
18 from those ads to campuses as soon as they're
19 good to go.

20 ASSEMBLYMAN SCHIMMINGER: What order
21 of magnitude are the number of companies?
22 You mentioned in the testimony hundreds of
23 companies. Are we talking --

24 COMMISSIONER ADAMS: Hundreds would be

1 accurate, would be fair. That would be
2 accurate.

3 ASSEMBLYMAN SCHIMMINGER: And now talk
4 to us, if you would, a little about the
5 timeline that we see ahead now. This is all
6 going to happen in this year. When does the
7 matching start? When do you start approving
8 and disapproving?

9 COMMISSIONER ADAMS: We start
10 approving the campus zones in the next few
11 weeks. It's a two-step process, as you all
12 know. As soon as a school gets its zone
13 certified, then they can the very next day
14 knock on the ESD door with an application
15 from a company that matches what they're
16 doing in terms of their academic disciplines,
17 their technologies, their science. You know,
18 they have to sponsor that company.

19 Now, that actually, that process has a
20 time constraint in it written into the law
21 which is interesting and worth noting.
22 Before ESD can accept the application of the
23 company, the school has to do a public
24 notification of its intent. This was to get

1 at something members of the Legislature
2 pointed to, the issue of potentially unfair
3 competition.

4 So the way it works in the law is that
5 the school has to notify -- actually take out
6 an ad in a local newspaper of record -- and
7 say we want to apply to have this Acme
8 Pharmaceuticals enter into our campus
9 START-UP zone. And that notification is
10 meant to do several things. It's meant to
11 let anyone in the community, the broader
12 area, know that that company could be coming
13 in in case that might mean a level of unfair
14 competition.

15 Because, you know, New York
16 Pharmaceuticals happens to be down the
17 street, but they're not in the zone. And
18 they say, Well, hold on. Acme, they're my
19 competitor. They come in, they pay no taxes,
20 that's going to put me in an awkward
21 position, I don't know if I can compete.

22 That process right there is about
23 60 days. I mean, there's a notification
24 requirement that could be a month, but then

1 ESD gets all this, reviews it all, and has up
2 to 60 days to deny an application. We may be
3 able to do it -- if everything's perfect and
4 everything's been done right, we won't use
5 the full 60 days if the regulations do not
6 require us to do that.

7 But let's just say that once these
8 zones are certified, there's a second step,
9 which is the application for the
10 specific company, because it is significant
11 to offer a company a full-on 10-year tax
12 abatement. So we will test very, very
13 carefully, rigorously, for compliance with
14 the regulations and laws, including net new
15 jobs for the state, no one is moving a
16 company across the street. These are net new
17 jobs, there's a plan in place, there's a
18 linkage to the academic disciplines. You
19 know, there's not just some fuzzy
20 relationship between the sponsoring school
21 and the business.

22 We'll test for all of that, they will
23 do the test for unfair competition by local
24 notification and all the other notifications

1 that are in the law. That's the second step.
2 But that would mean, to your point, later
3 this year I certainly hope we have companies
4 in the zones receiving the benefits, making
5 investments, and creating jobs.

6 ASSEMBLYMAN SCHIMMINGER: When you
7 apply that test of noncompetition with an
8 incumbent company, will you have a piece of
9 paper that will describe the standards that
10 you will be using so that the applicant can
11 know in advance what the measure is going to
12 be? Or will you not?

13 COMMISSIONER ADAMS: The answer is
14 yes. And we'll start with just comparing
15 NAICS codes and industry codes. There's an
16 objective way to do that and to flag
17 potential competition. But then you do want
18 to look at company's sophistication, size,
19 revenues and other information to make a
20 judgment about the potential for unfair
21 competition.

22 ASSEMBLYMAN SCHIMMINGER: The
23 possibility that incumbent-company New York
24 Pharmaceutical may down the road in a couple

1 of years start losing key employees to Acme,
2 right, that we have given tax-free status to,
3 is that going to be part of your calculation
4 in determining whether or not it's unfair
5 competition?

6 COMMISSIONER ADAMS: It would have to
7 be raised by the incumbent company as an
8 objection, and then we would consider it.

9 I think it's an interesting workforce
10 issue. It speaks to a broader need to make
11 sure -- see, my view would be, in part,
12 Assemblyman, that if we want to get Acme in
13 the first place, we have to have the skilled
14 workforce, the school has to really be
15 preparing students, and there has to be
16 enough workers to go around. If there's sort
17 of labor scarcity, Acme is not coming in the
18 first place. So there's a broader challenge
19 there that you've put your finger on.

20 ASSEMBLYMAN SCHIMMINGER: Yeah. I
21 understand that in the five-year financial
22 plan, it appears that there may be a need to
23 provide financing for the START-UP program
24 down the road. And how much money do you

1 predict the state will have to be putting
2 into this program? I know this is in the
3 five-year financial plan, not in this budget,
4 but --

5 COMMISSIONER ADAMS: The budget and
6 the financial plan do include something
7 that's important, which is a reimbursement
8 for state excise taxes. In terms of really
9 creating a tax-free environment, there is a
10 tax -- and I'll have to look up the dollar
11 figure for you -- that does have a fiscal
12 impact that we want to cover for. So that
13 when we're telling a company that, you know,
14 this is a tax-free program, it really is
15 tax-free.

16 And so this excise tax issue is
17 addressed in the budget. It's not a
18 significant amount of money; we can look it
19 up for you. But yeah, that's why that's
20 there.

21 ASSEMBLYMAN SCHIMMINGER: Thank you.
22 Thank you.

23 CHAIRMAN DeFRANCISCO: I have a few
24 questions.

1 Tax credits. What are the total
2 amount of tax credits given to the film
3 industry?

4 COMMISSIONER ADAMS: The annual amount
5 is \$420 million. Although last year it was
6 closer to \$500 million because we can roll
7 over an unused allocation from a prior year.

8 CHAIRMAN DeFRANCISCO: Okay, that was
9 for the benefit of the New York City
10 delegation, who thinks maybe that they're
11 treated unfairly.

12 Secondly, with respect to that, what
13 is the next biggest economic development tax
14 program that we have? Dollar-wise.

15 COMMISSIONER ADAMS: The Excelsior tax
16 credit program. Because remember, we make
17 through that program commitments lasting up
18 to 10 years to a company.

19 CHAIRMAN DeFRANCISCO: On an annual
20 basis, what is the total amount spent on tax
21 credits for the entire Excelsior program?

22 COMMISSIONER ADAMS: When the program
23 started, it was 50 million. It adds 50 every
24 year. So if we're in the fourth year, we'd

1 be approaching maybe \$200 million. But
2 again, when you make a commitment to a
3 company, it adds up.

4 Let me answer the question with a
5 different reference point, if you think of
6 Excelsior as our core program and regional
7 councils as the delivery system for that core
8 program. And the Regional Council system,
9 just at ESD last year we did 386 projects, or
10 accepted and sent offers to companies and to
11 projects. That required the allocation of
12 \$460 million. So something around --
13 actually, greater than the annual amount of
14 the film production tax credit.

15 And the \$460 million triggered private
16 industry investment totaling \$5.3 billion.
17 So a very healthy or very significant return
18 on that investment, which led to the
19 retention or creation of about 90,000 jobs in
20 2013, at the cost of about \$5,100 per job.

21 And again, backing away to the
22 Regional Council system, just to compare it
23 to the film production tax credit --

24 CHAIRMAN DeFRANCISCO: I think I

1 forgot my question. But go ahead.

2 (Laughter.)

3 CHAIRMAN DeFRANCISCO: The question
4 was there's \$50 million a year keeps being
5 added to this program? Because you're not
6 spending \$400 million a year, correct?

7 COMMISSIONER ADAMS: Not in a fiscal
8 year. But we are making commitments that are
9 greater than that, because it's a multi --
10 the film production tax credit is an amount
11 per year that is there and that we can commit
12 to companies.

13 CHAIRMAN DeFRANCISCO: And what is the
14 amount per year?

15 COMMISSIONER ADAMS: \$420 million.

16 CHAIRMAN DeFRANCISCO: Okay. So right
17 now in this budget is \$420 million of tax
18 credits for Excelsior?

19 COMMISSIONER ADAMS: No, no, for the
20 film production tax credit.

21 CHAIRMAN DeFRANCISCO: No, no, no.
22 I'm trying to compare one to the other.
23 Excelsior, how much per year is put in the
24 budget for Excelsior, when we know that

1 400-something million is being used this
2 year -- \$500 million for tax credits?

3 COMMISSIONER ADAMS: I think this year
4 there is probably \$200 million of Excelsior.
5 But I need to check because it's on a scale,
6 and I'll have to get back to you.

7 CHAIRMAN DeFRANCISCO: All right. But
8 isn't there an allocation each year in the
9 budget for Excelsior tax credits?

10 COMMISSIONER ADAMS: Yes.

11 CHAIRMAN DeFRANCISCO: What's the
12 allocation this year?

13 COMMISSIONER ADAMS: It would be -- I
14 believe it's \$200 million. Again, because we
15 scale it up every year and we would be in
16 the -- yeah.

17 CHAIRMAN DeFRANCISCO: Okay. Thank
18 you. Do you think that's a fair balance as
19 far as tax credits? Tax credits for all
20 industries throughout the state right now
21 gets about half, less than half of the tax
22 credits for one industry in one region. Do
23 you think that's the optimum economic
24 development model?

1 COMMISSIONER ADAMS: They're very
2 different programs, Senator, and I think
3 they're both highly effective.

4 Now, Excelsior is part of a broader
5 set of programs. And as I say, we make
6 commitments over multiple years, so it's --
7 you're committing over many years, and it's a
8 very powerful tool. So we've probably done,
9 for example, in regional councils alone over
10 \$2 billion in incentives since the onset of
11 regional councils.

12 CHAIRMAN DeFRANCISCO: If there was a
13 desire to do this, and if there was an
14 agreement in the budget, could the tax credit
15 be subsumed, or whatever the correct word is,
16 into the Excelsior program so it's another
17 industry that takes advantage of one program
18 that's available to all industries?

19 COMMISSIONER ADAMS: I don't think it
20 could, because the industry is very
21 different. And the incentive works in a very
22 different way from the Excelsior program.

23 CHAIRMAN DeFRANCISCO: The reason I'm
24 asking these questions is because there was a

1 report that was made for the Commission on
2 New York State Tax Reform and Fairness that
3 Carl McCall and Peter J. Solomon were
4 coauthors. And the report really takes a
5 shot at the film tax credit and talks about
6 how huge it is in relation to the income of
7 this industry and how it's out of proportion
8 to the benefits.

9 And I guess what I'm trying to get at,
10 I'd really like to get a clear answer as
11 to -- and you don't have to give it to me
12 today, but why this is so disproportionate in
13 our state when there are so many other
14 industries, high-tech industries that
15 certainly are a little bit more important
16 than films, I think for society's purposes,
17 why -- you know, I don't get it. I don't
18 think I get it on a practical standpoint.

19 And so if sometime we can talk, I'd
20 love to know why this is such a different
21 industry that it deserves so much more tax
22 relief than any other industry that may be
23 competing for a place in the State of
24 New York. Fair enough?

1 COMMISSIONER ADAMS: Absolutely.

2 CHAIRMAN DeFRANCISCO: Okay.

3 Number two, the tax-free zone, I know
4 Robin Schimminger asked some great questions
5 about the anticompetition section of it. And
6 you answered in part by way of you've got to
7 have the job skills to fill some of these
8 jobs. But how do you account for -- and by
9 the way, full disclosure, I voted against it.

10 How do you tell a company that's got
11 some great technical computer people that are
12 right down the block from some company that's
13 coming in under this tax-free program, how do
14 you prevent that company, the existing
15 company, even if it's a totally different
16 area, from getting raided? Because I don't
17 know how many employees would say no to "Come
18 to our place, we'll give you the same income,
19 but you don't have to pay taxes for
20 10 years." How do you deal with that?

21 COMMISSIONER ADAMS: Well, again, in
22 the context of screening for what could be
23 viewed as unfair local competition, if that
24 incumbent company can really project or is

1 really concerned that that is going to
2 happen, that the new company in the tax-free
3 zone is going to steal his or her workforce,
4 we would certainly look at that as part of
5 that consideration. And as the commissioner,
6 I have the discretion to not allow that
7 company into the zone. And so we'll have to
8 take it on a case-by-case basis.

9 But I would also, again, go back to
10 the nature of the companies that we hope the
11 program will attract. You know, many will
12 come right out of the university and have --
13 in effect, it's labor already there in the
14 students and the teachers and the people, the
15 graduate students, that are already involved
16 in the project or in the initiative. And
17 others may involve the relocation of workers
18 who move from out of state into the -- again,
19 for a smaller company.

20 So we'll have to take it -- it's a
21 great point, and one we have to be vigilant
22 on, and we'll have to take it on a
23 case-by-case basis.

24 CHAIRMAN DeFRANCISCO: Thank you.

1 CHAIRMAN FARRELL: Earlene Hooper.

2 ASSEMBLYWOMAN HOOPER: Thank you.

3 Thank you, Mr. Commissioner.

4 I am in a state of quandary, and you
5 might or you might not be able to help me
6 with this issue. I represent a community in
7 Nassau County which is the Village of
8 Hempstead. And during the first round, under
9 the auspices of Hofstra University, \$5
10 million with that panel was allocated to the
11 Village of Hempstead, for the entire Village
12 of Hempstead to address the issue as it
13 related to the sewer system, which is
14 100 years old and at any moment will
15 collapse.

16 I would like to know to what extent of
17 oversight or assurance that funds that are
18 allocated for a specific project, as per the
19 panel's discretion, is redirected, and what
20 mechanisms are in place to assure that what
21 the panel has decided and allocated is
22 actually followed through.

23 The residents in the village of
24 Hempstead are really in a state of panic.

1 There's an outcry because the funds were not
2 utilized for what it was allocated as per the
3 first-round agreement. And yet with all the
4 resources at least at my disposal, I have not
5 been able to get any answers as to when or
6 how to access this information and exactly
7 what and how is a municipality able to
8 redirect funds that are explicitly outlined
9 in the panel's recommendation.

10 Could you probably help me with this?

11 COMMISSIONER ADAMS: We've had a
12 couple of situations I think similar to what
13 you've described, Assemblywoman, which is to
14 say the Regional Council makes a funding
15 decision or recommendation and then for
16 whatever reason the project can't come to
17 fruition, and then funds are there to be
18 reallocated.

19 And normally what happens is the
20 Regional Council gets to consider where those
21 funds should be dedicated to if the project
22 that was originally considered for whatever
23 reason couldn't happen.

24 In the particular case in the

1 Village of Hempstead that you've described,
2 I'm not familiar -- I mean, I'd be happy to
3 follow up with you, obviously -- with what
4 happened there. Normally, again, it would
5 have come back to the Regional Council and us
6 at ESD for our review. Because there is no
7 part of the system where funds earmarked for
8 Project A simply slide over to Project B. It
9 doesn't work that way. It's not supposed to.

10 ASSEMBLYWOMAN HOOPER: That's what
11 happened.

12 COMMISSIONER ADAMS: Right, that's
13 what I hear you describing.

14 And so I would like to learn more
15 about it and would be pleased to work with
16 you to figure out what happened and -- do you
17 know if the funds were ultimately given to
18 the second project, or is it still undecided?

19 ASSEMBLYWOMAN HOOPER: The funds were
20 actually deemed for that particular project.
21 The funds were allocated and redirected. The
22 funds did go to the Village of Hempstead but
23 were redirected in a very surreptitious
24 manner to something that really was not a

1 part of the regional council's allocation.
2 And we have not been able to ascertain as to
3 how that happened or to whom we should --
4 we've gone everywhere and we cannot get any
5 answers.

6 So are you suggesting that I should
7 maybe send --

8 COMMISSIONER ADAMS: Absolutely.

9 ASSEMBLYWOMAN HOOPER: All right.
10 Thank you very much. I will be sending you a
11 letter to that effect.

12 COMMISSIONER ADAMS: Thank you. Good.

13 ASSEMBLYWOMAN HOOPER: Thank you.

14 CHAIRMAN DeFRANCISCO: Senator Krueger
15 to close on our side.

16 SENATOR KRUEGER: Thank you. Back
17 again.

18 So we were talking about clawbacks
19 before. You recently announced that there
20 were going to be I think \$180 million
21 investment in a Marcy Nano site, with the
22 estimate that it will create 5,000 jobs and
23 \$45 billion of economic activity. How will
24 that be structured to ensure that if we put

1 this much money in this project that we reap
2 the rewards or we get money back? Because
3 that one hasn't started yet.

4 COMMISSIONER ADAMS: Yeah, a good
5 example of, again, for the large projects
6 this new system of not making the investment
7 directly to the company as much as to a state
8 institution; in this case, SUNYIT, which is
9 the host at Marcy Nano, and CNSE, the Center
10 for Nanoscale Science and Engineering here at
11 Albany, through its property management
12 company.

13 And so, again, in this case -- and the
14 building is in construction now -- the state,
15 through the SUNY system and SUNY Research
16 Foundation, will actually own the asset, own
17 the building. And the funding, the
18 \$180 million, will help build out the
19 building, buy the equipment. This is for
20 kind of the next level of what's called
21 packaging in advanced lithography in the
22 semiconductor industry.

23 SENATOR KRUEGER: Can you say that one
24 more time? I'm sorry, I couldn't hear you.

1 COMMISSIONER ADAMS: Packaging. And
2 it's nanotechnology around the packaging and
3 the layering of chips in more efficient
4 alignments for smaller, smarter, faster,
5 better devices. And lithography, which is
6 the system by which the chips are etched into
7 the wafer.

8 In any event, this technology is going
9 to be developed at Marcy Utica, but through
10 SUNYIT and through SUNY Albany, really, to
11 the extent -- you know, CNSE, the Center for
12 Nanoscale Science and Engineering, in
13 partnership and collaboration with SUNYIT.

14 So again, that investment of
15 \$180 million is in effect staying with the
16 state. It's buying assets that the state
17 will own through the affiliates dedicated to
18 that work, but which will attract private
19 companies that want access to that equipment
20 and want to be under that roof and want to
21 work together and have access to the
22 research.

23 And they'll make their follow-on
24 investments, which over time could total as

1 much -- the \$45 billion estimate is large,
2 but that is based on the idea of the site's
3 ability to attract a major chip fab, kind of
4 like Global Foundries. I mean, these are big
5 investments.

6 But that's the model.

7 SENATOR KRUEGER: And the investment
8 in the infrastructure for the companies, as
9 you've described, does that deal guarantee us
10 a share in the intellectual property rights
11 of anything created there?

12 COMMISSIONER ADAMS: Yes. The SUNY
13 Research Foundation has a protocol and
14 protocols exist across the SUNY system, as
15 they do in private institutions, when they do
16 a partnership with a private entity on
17 basically IP, intellectual property rights,
18 and who gets the revenues should the great
19 technology take off. So that will be put in
20 place.

21 SENATOR KRUEGER: Thank you.

22 And going back to I think it's the
23 report that my colleague John DeFrancisco
24 referenced earlier to you, "New York State

1 Business Tax Credits: An Analysis and
2 Evaluation," there's a whole section of the
3 report that recommends best practices for
4 evaluating tax credits and incentives.

5 Does ESD use what are defined as sort
6 of national best practices in doing these
7 evaluations that, as you describe, I'm going
8 to find some of on your website after this
9 hearing is over? These are apparently best
10 practices from the GAO, General Accounting
11 Office, and a number of other states'
12 programs that seem to be recognized as the
13 right way to evaluate whether we're investing
14 our money effectively or not. Does ESD use
15 any standards that are defined as best
16 practice?

17 COMMISSIONER ADAMS: Yes, we do, on
18 both sides of a deal, if I may put it that
19 way.

20 In other words, when we are actually
21 putting an incentive proposal together in
22 partnership with a company, we use standard
23 REMI and other economic modeling to look for
24 certain returns on our investment. We do

1 something internally on a weekly basis, a
2 review of our projects. It's called a
3 benefit/cost analysis, and there's a certain
4 score. So as we're even talking to
5 companies, you know, they will ask for lots
6 of things. And we pull back and say, No,
7 that's not reasonable, this is what we're
8 willing to do.

9 We don't win every deal. We don't
10 just give stuff, taxpayer dollars to
11 companies because they ask. There's all
12 sorts of tests that have to be made.

13 So up-front, what I'm trying to say,
14 Senator, is that we have a lot of those best
15 practices built into the structure of our
16 incentive offers to companies. Then, as I
17 said earlier, we track these deals very
18 carefully with a team of people, most of them
19 in New York City, some here in Albany, and
20 the companies have to report in and hit
21 certain milestones, often before we even
22 deliver dollar one to the company. And over
23 time, we evaluate their performance against
24 those standards.

1 And those are -- yes, they do
2 benchmark very well against other states.
3 And I would argue that we look at other
4 states' economic development practices, and I
5 mentioned before that last year we invested
6 about \$5100 per job in those core programs
7 that I mentioned, the 386 deals that we did.
8 That is a remarkably low figure compared to
9 other states that are doing very, very
10 lucrative, tens of thousands, sometimes over
11 \$100,000 per job when they're trying to
12 attract a major employer to their state.

13 So I would argue -- and again, under
14 the Governor's leadership, we are (a) running
15 a system with a high level of accountability,
16 but (b) always looking for best value. We
17 want the jobs, we want the investment, but we
18 want it at a reasonable and sustainable cost
19 to the taxpayer. And again, we have tools
20 that are -- most of these, most of the
21 conditions around these tools, some are
22 statutory. And the ones that are internal in
23 terms of our procedures, we build them, as
24 you say, on best practices.

1 SENATOR KRUEGER: And then, finally,
2 you mentioned before that we still have the
3 Empire Zone program continuing for X number
4 of companies. Are we still doing the kind of
5 evaluation where, when we find somebody is
6 not in compliance, that we're removing them
7 from the program?

8 COMMISSIONER ADAMS: Yes.

9 SENATOR KRUEGER: How is that going?

10 COMMISSIONER ADAMS: Yes. Any company
11 remaining in the program until their benefits
12 tail off and end has to submit a BAR, a
13 business activity report.

14 I was approached by a company recently
15 in the South Bronx who was concerned that
16 they were a couple of days late submitting
17 their report and would we throw them out of
18 the program. It turned out they were within
19 the late period we allowed, it got in on
20 time, and they're okay. But that's to tell
21 you, yes, we are vigilant about that. And
22 they still have reporting requirements,
23 obviously.

24 SENATOR KRUEGER: Do you know how many

1 businesses were thrown out of the program in
2 2013?

3 COMMISSIONER ADAMS: In 2013, the --
4 no, I don't. I could look it up. I mean, I
5 can tell you that, you know, Empire Zones at
6 its heyday had close to 10,000 programs --
7 "heyday" is probably not the right word --
8 but at its peak had 10,000 companies in the
9 Zones program costing state taxpayers about
10 \$600 million a year. And that's probably
11 2006-2007, before you and colleagues in the
12 Legislature basically shut the program down
13 and replaced it with Excelsior.

14 So today we could still have 3,000 to
15 4,000 companies in the program. Again, we
16 monitor their activity and they don't receive
17 their benefits unless they're compliant with
18 the terms of their arrangement.

19 SENATOR KRUEGER: You could get back
20 to me with that number, then?

21 COMMISSIONER ADAMS: Sure.

22 SENATOR KRUEGER: Thank you.

23 CHAIRMAN FARRELL: Thank you.

24 Assemblyman Ortiz.

1 ASSEMBLYMAN ORTIZ: Thank you. Thank
2 you, Mr. Chairman. And thank you,
3 Mr. President, for your testimony. I always
4 like to hear from the president.

5 And I just have a couple of quick
6 questions. In your testimony you spoke about
7 the; Governor's announcement of the Round 4
8 of the Regional Economic Development
9 Councils, which the purpose is to continue to
10 create jobs in those regions and throughout
11 the state. As you probably know, I represent
12 the large stretch between the Brooklyn
13 waterfront, from Red Hook down to Sunset
14 Park. And you are very familiar, right, with
15 this area, so I don't have to explain in too
16 much detail.

17 But there are two waterfront-related
18 issues that we are working on as we speak,
19 which will do two components. Number one, it
20 will create jobs with the investments. And I
21 also would like to touch quickly in a
22 question on the storm resiliency that
23 happened as a result of Sandy.

24 So regarding on the job creation,

1 though now many of our previous industries
2 and manufacturers on the waterfront
3 disappeared, there is something amazing
4 starting to take place on the Brooklyn
5 waterfront with growth of our innovation
6 economy. Whether it's Industry City, whether
7 it's the federal building that we have on
8 Third Avenue or other newly energized
9 properties, good things are starting to
10 happen. But they really need significant
11 investment, as you probably know, investment
12 in basic infrastructure and other needs for
13 job creation to truly take off in this
14 community.

15 My question is, what can Empire State
16 Development and the State of New York do to
17 help this new innovation-economy growth in
18 places like Sunset Park and the Red Hook
19 area?

20 COMMISSIONER ADAMS: Our two programs
21 obviously introduced over the last couple of
22 years by the Governor, the Regional Council
23 Program and now the START-UP program, are
24 really ideal for some of the locations that

1 you're talking about that, as you know, I'm
2 familiar with.

3 And in two regards. One is in the
4 Regional Council Program, we do see -- it was
5 addressed earlier in the hearing -- funding
6 available for infrastructure to create the
7 sites that will attract the companies that
8 you're talking about. Particularly when
9 there is -- and this could be used, for
10 example, in the new or the extended
11 Brownfields Program.

12 But when there are old industrial
13 sites along the Brooklyn waterfront, funding
14 to clean up the sites, funding for the
15 infrastructure required to attract the
16 private investment is something we have and
17 we would like to deploy. So I'm happy to
18 follow up with you on that. I have visited
19 some of those sites with Andrew Kimball in
20 his new role just before the holidays, and
21 I'm familiar with a number of them.

22 The other part of this is if you think
23 about the Brooklyn Army Terminal and SUNY
24 Downstate as a host of the Brooklyn Army

1 Terminal through Dr. Eva Cramer, the BioBAT,
2 the biotechnology incubator, great example of
3 Sunset Park waterfront, bordering on Bay
4 Ridge, but that waterfront is -- and the
5 ability to attract companies now with this
6 new incentive program from START-UP.

7 So I think deploying either or both
8 the Regional Council system around
9 infrastructure, START-UP around tax benefits
10 to companies, and then our work at ESD to
11 market and attract companies to the area,
12 we'd be pleased to work with you.

13 ASSEMBLYMAN ORTIZ: Thank you. Thank
14 you very much. And I'm glad to hear that,
15 and I'm looking forward to do work with you
16 and work with some of the folks that are
17 there.

18 My second question and last question
19 has to do with resiliency. Red Hook and
20 Sunset Park suffered significant damage
21 during Sandy, and some significant investment
22 is also necessary to protect both the people
23 who live in places like Red Hook and the
24 places they would like Industry City to be.

1 What specifically is the state doing
2 in terms of resiliency upgrades along the
3 South Brooklyn waterfront? And what more can
4 be done, as you know, when we have Sandy and
5 we have some of these devastating situations
6 happen lately?

7 As you are very familiarized with this
8 building, they get water almost up to the
9 ceiling, which prevent them to get to my
10 house, across the street from Third Avenue.
11 Which I live on Fourth, so my basement
12 doesn't get flooded. As a result, they get
13 all the water.

14 So can you comment on that? And I
15 also would like to thank you for your
16 comments.

17 COMMISSIONER ADAMS: Yes, the Governor
18 put together the CRZ, the Community
19 Reconstruction Zones program, and obviously
20 Sunset Park and the Brooklyn waterfront are
21 part of that program.

22 We'd have to look up -- because I'm
23 not familiar with the individuals that are
24 actually running -- each zone has a set of

1 community volunteers that have done their
2 plans, do their proposals.

3 And the good news is the Governor was
4 able to secure a significant amount of
5 federal aid for rebuilding that
6 infrastructure in the form of new
7 resiliency -- not just build back what was
8 there before, but build in systems to protect
9 from what will no doubt be future storms.

10 And, again, familiar as I am with that
11 area, I'd be pleased to meet with you and the
12 CRZ team, Seth Diamond and Jamie Rubin and
13 others, who have really a statewide
14 responsibility here, because they're also
15 looking at communities that are rebuilding in
16 the aftermath of Irene and Lee.

17 But there is federal funding available
18 and there are a number of new technologies
19 introduced. I think the building industry is
20 very involved in this. There's a lot of new
21 technology and things that are going to have
22 to happen or we won't get the investment on
23 those waterfront sites. Because obviously
24 companies will be reluctant if they don't see

1 any kind of protection against future weather
2 events.

3 ASSEMBLYMAN ORTIZ: And I would like
4 to also -- I still have a few seconds, so let
5 me take advantage of those two seconds -- to
6 thank you for your accessibility during
7 Sandy. I know Sandy was very difficult. I
8 know Sandy is a year past, and I never said
9 publicly thank you enough to you for being
10 there on the other side of the phone every
11 time that we was calling for assistance for
12 the people of Red hook as well as the people
13 of Sunset Park. So thank you very much.

14 COMMISSIONER ADAMS: You're welcome.

15 CHAIRMAN DeFRANCISCO: Now really the
16 last questioner from the Senate is Dave
17 Valesky.

18 SENATOR VALESKY: Thank you, Senator
19 DeFrancisco.

20 Commissioner, thank you for your
21 presentation today. I actually did not have
22 a question, but Senator DeFrancisco's
23 question got me to think, so I wanted to
24 follow up on it, which is probably dangerous

1 in and of itself. But I wanted to follow up.

2 So the film production tax credit is
3 about 430, 450?

4 COMMISSIONER ADAMS: 420.

5 SENATOR VALESKY: 420, okay. So I
6 want to get back to this comparison, the
7 Excelsior jobs program, tax credit program,
8 would you agree would be one of your most
9 broad-based tax credit programs that you
10 offer in terms of the types of businesses
11 that would qualify?

12 COMMISSIONER ADAMS: Yes.

13 SENATOR VALESKY: According to this
14 information -- this is what I just want to
15 clarify -- the Executive Budget proposes an
16 additional \$220 million in funding, to be
17 allocated by the Regional Economic
18 Development Councils as follows:
19 \$150 million in new capital funding, a
20 set-aside of an additional \$70 million in
21 Excelsior jobs program tax credits,
22 \$7 million per year for 10 years.

23 So is the comparison \$7 million versus
24 \$450 million in one year?

1 COMMISSIONER ADAMS: No, that refers
2 to simply taking some of the existing
3 Excelsior capacity, \$7 million times
4 10 years, and making it available as part of
5 the CFA competition. So that there's more
6 than there would be otherwise.

7 Because again, we deploy Excelsior all
8 the time as a leading incentive. And I need
9 to, at the chair's suggestion, if not urging,
10 get him the more accurate statistics on
11 Excelsior.

12 But what I was trying to say before is
13 because it's a 10-year program, if in a
14 year -- the capacity of the program over time
15 is several billion dollars. And I don't want
16 to put the number out without actually doing
17 the math. Because we have capacity every
18 year, and then we're committing it in
19 outyears because the company is not
20 collecting it. So if we -- 7 million here,
21 you know, down the road a certain number of
22 years, after 10 years, it becomes seven times
23 10 becomes 70.

24 And so this year there was 200. There

1 might be 7 against the 200, but you're
2 committing it out over many years.

3 So again, it's a different structure
4 than the film production tax credit. We have
5 billions of dollars of Excelsior capacity.
6 We're not constrained at all in terms of
7 making -- so I didn't answer the Senator's
8 question in a good way or a helpful way with
9 my math, and I apologize.

10 But what you've pointed out is simply
11 there is, in the Regional Council system, an
12 amount of Excelsior capacity devoted to that
13 system to add to the resources. That's in
14 part how we get to close to \$750 million of
15 resources for regional councils. Some of
16 that is bond capital, some of that is
17 Excelsior tax credits. And 150 is ESD
18 capital, as you know from the budget
19 proposal.

20 But they're very -- I know the Senator
21 doesn't want me to speak about it at this
22 time, but it's a very -- there are two
23 different programs that have -- they both, I
24 would argue, have a very, very powerful

1 impact, but they're different and they're
2 structured differently.

3 SENATOR VALESKY: Whatever you prepare
4 for the chairman, if you could share with me
5 as well. Because the out-of-whack concern I
6 would share. So I would share his concern.
7 So I'd appreciate seeing further data on
8 that.

9 COMMISSIONER ADAMS: Senator, may I
10 make one comment in this regard?

11 CHAIRMAN DeFRANCISCO: You may. You
12 may.

13 COMMISSIONER ADAMS: I just -- because
14 I didn't say it earlier, and I've talked
15 about our other programs. The answer to the
16 question was \$420 million. But behind that
17 is this. Last year was our busiest year ever
18 in administering the film production tax
19 credit. Ever. I mean, this program started
20 in 2004 with about \$10 million, a very small
21 program. It's a much bigger program now, to
22 the Senator's point.

23 So we had 182 applications last year
24 for feature-length motion pictures, serials,

1 television shows and pilots. Again, a record
2 number of applications. In those
3 applications the different film production
4 and television production companies pledged
5 to spend over \$2 billion, which is about a
6 5-to-1 ratio of what we deploy -- right,
7 \$420 million against \$2.2 billion of
8 spending.

9 And again, the applications were done
10 last year. So if they're done in October,
11 November, the productions could go into
12 production now or in the next few months. So
13 there's a tail there.

14 And they will lead to over 100,000
15 jobs or positions. And here's a key
16 difference and why it would be hard to merge
17 the programs, Senator. Employment in film
18 and television production, we count
19 positions.

20 Because someone could be a carpenter
21 on a movie set -- Noah comes to mind, because
22 it opens next month, and it was filmed on
23 Long Island -- and work that job for three
24 months, and that's that person's employment.

1 It's a union job, it's a good job, it's well
2 paid. And then maybe they get hired a few
3 months later working on a TV show or on
4 another movie, and you don't want to
5 double-count that person, and it's not
6 full-time year-round employment.

7 So the incentive creates a lot of
8 employment and induces a lot of new wages to
9 the state, but it's in a structure, because
10 of the nature of film and television
11 production work, those jobs are counted
12 differently.

13 With Excelsior, we're looking at
14 full-time employment and actual wage
15 reporting for FTEs, full-time employees, year
16 after year after year after year. They're
17 full-time positions. So it's different,
18 you're incentivizing different types of jobs,
19 different types of employment.

20 But I would argue that by any metric,
21 the film production tax credit -- it is a big
22 program, the chair is absolutely right. But
23 it's very effective. And what it's done is
24 it's anchored an industry in the state. Yes,

1 largely in the City. We're doing our best to
2 expand that. But an industry that had left
3 and an industry that employs hundreds of
4 thousands of people in skilled -- actually,
5 highly skilled. Again, our subsidy only is
6 for, our support is for what we call
7 below-the-line production expenses. We don't
8 pay actors' salaries, or movie directors or
9 producers.

10 But these are really good jobs. And I
11 would argue in a creative economy, they are
12 the manufacturing jobs of a creative economy.
13 And yes, the program supports this. And yes,
14 it's a big and generous program. But it's
15 successful.

16 CHAIRMAN DeFRANCISCO: Since you
17 addressed me, I just want to respond.

18 In the budget this year it's
19 \$50 million for Excelsior. I'm not talking
20 about rollovers and continue with the
21 program, it's 500 million over ten years or
22 whatever. This year it's \$50 million. Last
23 year was \$50 million. The tax credits for
24 the film industry is \$420 million. I guess I

1 could bet why there's so many applications --
2 because it's lucrative. It's a lucrative tax
3 benefit, and you don't even have to show the
4 permanency in jobs. Whereas Excelsior pales
5 in comparison and affects everybody.

6 So that's my concern. Not that it's
7 not a wonderful tool. Family members are in
8 the film industry. So that's not the point.
9 The point is there ought to be some realistic
10 balance, because there's more industry that
11 affects everyone that could be incentivized
12 by full-time job commitment in the Excelsior
13 program.

14 CHAIRMAN FARRELL: Assemblyman Oaks to
15 close.

16 ASSEMBLYMAN OAKS: Thank you for all
17 the information today, Commissioner.

18 We created, last year's part of the
19 budget, the Hot Spots program, and then
20 post-budget we did START-UP. Where are we
21 with Hot Spots? Are we going to go with both
22 of those programs, or is one going to
23 supercede the other?

24 COMMISSIONER ADAMS: We're going with

1 both. You know, we're going with all the
2 economic development tools we can put at our
3 disposal to attract companies, in this case
4 particularly tech companies, and good jobs in
5 all corners of the state.

6 ASSEMBLYMAN OAKS: Have we made any
7 progress --

8 COMMISSIONER ADAMS: Yes. So here's
9 the brief update. Through the Regional
10 Council process last year, we announced in
11 early December the designation of five
12 Hot Spots and 10 incubators and had funding,
13 as part of last year's budget, to support
14 that development. This year's budget
15 proposal would provide funding for another
16 round of five more Hot Spots, and another
17 five incubators.

18 And so we're going to continue to
19 acknowledge, recognize and support
20 financially those places. And they very much
21 can align -- with Assemblyman Ortiz, I was
22 mentioning this incubator he knows that does
23 biotech in Brooklyn in his district. They
24 can align with universities and be part of

1 the -- if they choose, you know, part of the
2 START-UP system. Which would simply mean,
3 you know, even more support for the companies
4 that are there. It comes together nicely.

5 And in fact, one of the most
6 interesting proposals came from Cornell and
7 BU, they picked a Hot Spot that was actually
8 four different -- we always thought it would
9 be one place, like an incubator you think of
10 as a building, or a physical location, and
11 they actually did something between Cornell,
12 BU, the Ceramics Corridor and Corning. The
13 four of them created, in effect, a regional
14 Hot Spot. And you know what? They won the
15 competition. Or at least they were one of
16 the five designated, that came out of the
17 Southern Tier Economic Development Council.

18 So we're seeing partnerships and
19 collaborations, and we're seeing alignments
20 with the START-UP zones as they get
21 developed, and it's, again, a very powerful
22 tool, and gets us to the idea that the
23 Governor wants us to do everything we can,
24 all the tools we have, to attract new

1 investment and create jobs all across the
2 state.

3 ASSEMBLYMAN OAKS: With the -- I know
4 you said you've done a lot of work, and your
5 staff has, and that there was an approval
6 board for START-UP NY that -- are we -- where
7 are we with that? Is that appointed and
8 going to be helping you in some of that
9 decision-making?

10 COMMISSIONER ADAMS: Yes, it's been
11 appointed, and it will be very helpful. For
12 schools that seek to designate space that's
13 not on campus, off-campus space, they'll need
14 approval by that board. And for actions by
15 some of the private universities in the
16 system, they'll need approval by the board.

17 And yes, the board members have been
18 named by the Assembly, Senate, and executive
19 branch, and so we're ready to work.

20 ASSEMBLYMAN OAKS: Do we -- or just,
21 I'd be interested in seeing the list, or is
22 the -- when you have it. Thank you.

23 One of the issues that -- actually,
24 some different reports have been referenced

1 today, and I have one here that the Senate
2 Coalition had put out on regulatory reform.
3 And I know the Governor, in his speech, said
4 let's make this year the time when we lift
5 some of the regulations and really free
6 business to, you know, make more progress in
7 the state.

8 You know, in that report they had
9 mentioned that up to \$274 billion -- I don't
10 know how they crafted it all, but
11 \$274 billion, you know, are created through
12 just the regulatory structure that we have at
13 that cost. Are there some things the ESD is
14 promoting -- I didn't see in the Governor's
15 budget, per se -- the regulatory reform isn't
16 there.

17 Are there specific things, you know,
18 we can work on to get over that hump to
19 really -- we're doing some of the positive
20 things, I think, in pushing -- you know, to
21 help business and some of the technical
22 aspects and whatever. But are there some
23 specific things that we can do or that you're
24 proposing to help business on the regulatory

1 side?

2 COMMISSIONER ADAMS: First, you know,
3 I would certainly agree with you and others
4 who have made it clear that we need ongoing
5 regulatory reform to improve the broader
6 business climate of the state.

7 Now, ESD, our role really is to
8 capture recommendations from the businesses
9 that we work with and other stakeholders in
10 economic development about potential reforms.
11 And I've met several times with
12 Senator Gallivan, for example, who worked on
13 that report, and I'm familiar with it.

14 The idea, then, is that through our
15 Regional Council system, where we get a lot
16 of feedback, a lot of good input from
17 Regional Council members, through our
18 regional offices -- we've got 10 regional
19 offices around the state where we work with
20 local IDAs and local officials, economic
21 development departments at the local level --
22 we get a lot of recommendations.

23 And so in this broader effort that the
24 Governor has cited of identifying

1 opportunities for regulatory reform to lift
2 the state's economy, ESD can be a very
3 helpful vehicle through those relationships,
4 and through those organizations that we have,
5 at kind of gathering, collecting and
6 delivering those recommendations on behalf of
7 employers.

8 We have done some of that at the
9 Governor's urging already in key areas like
10 the -- when he holds these summits, I
11 mentioned earlier the Wine, Beer and Spirits
12 Summit, we came up with very important
13 regulatory reform proposals from stakeholders
14 in the industry that then the Governor can
15 act on with you all.

16 So there are systems in place to do
17 that, and I suspect this year, as you've
18 noted, we'll be doing more of that.

19 ASSEMBLYMAN OAKS: Good. Well, I hope
20 we can be a part of that and be more
21 successful. Thank you.

22 CHAIRMAN DeFRANCISCO: Thank you,
23 Mr. Adams. Very in-depth testimony,
24 appreciate it very much.

1 COMMISSIONER ADAMS: Thank you.

2 CHAIRMAN DeFRANCISCO: The next
3 speaker is Kathryn Flacke Muncil, vice chair,
4 New York State Hospitality and Tourism
5 Association, with Robert Puckett and Dave
6 Lamendola on deck.

7 You're on.

8 MS. MUNCIL: Thank you. I'm Kathryn
9 Flacke Muncil, vice chairwoman of the Board
10 of New York State Hospitality and Tourism
11 Association, aka NYSHTA.

12 I'd like to start by thanking Chairman
13 Farrell and Chairman DeFrancisco and the
14 members of the committee for the opportunity
15 to comment on the Executive Budget proposal
16 as it relates to tourism. We thank the
17 Governor and the Legislature for appreciating
18 what tourism means to the economy of New York
19 State.

20 I also absolutely promise to be brief,
21 and to finish well before Wednesday's
22 Pittsburgh game. *Go Syracuse!*

23 CHAIRMAN DeFRANCISCO: Now that you've
24 brought it up, the rankings just came out;

1 Syracuse is still number one.

2 (Laughter.)

3 MS. MUNCIL: As CEO of the Fort
4 William Henry Corporation, we employ upwards
5 of 400 people during the height of our busy
6 season. The corporation, which is located in
7 Lake George, manages 20 separate businesses,
8 which range from an independent resort hotel
9 and conference center, with numerous coffee
10 shops, retail shops and restaurants, to a
11 restored French and Indian War Fortress,
12 immortalized in the internationally
13 recognized novel by James Fenimore Cooper,
14 *The Last of the Mohicans*.

15 We've been in business since 1952, and
16 we're owned by over 200 stockholders, having
17 been formed by five families from Albany, who
18 continue to own the majority of the stock. I
19 manage the board of directors for the
20 corporation, which consists of 13 members,
21 and I, with our senior staff, stay very
22 involved in our community, in our industry on
23 a local, state and federal basis.

24 Also, as background information,

1 NYSHTA is the oldest lodging association in
2 the country. We currently represent
3 70 percent of the total lodging room
4 inventory in the state.

5 The tourism industry in New York is an
6 unparalleled industry that is a combination
7 of creating and maintaining jobs, as well as
8 providing the state with a return on its
9 investment that very few industries can
10 offer. The tourism industry is part of each
11 region of the state, providing employment at
12 all levels, from management to entry level.
13 Given its proven track record as a revenue
14 source for state and local governments, as
15 well as a job generator, tourism is not only
16 a wise investment, but a critical one that
17 yields unmatched and well-sustained returns
18 for New York's economy.

19 I want to quickly recap the areas of
20 the budget of importance to tourism. In the
21 Executive Budget proposal, Governor Cuomo has
22 proposed maintaining the current funding
23 levels for the Tourism Matching Grant
24 Program, as well as the I Love New York

1 Program. The Governor funded the matching
2 grant program at \$3.815 million and the I
3 Love New York program at \$2.5 million.

4 Additionally, for the second year in a
5 row, the Governor has appropriated \$5 million
6 for Market New York, and these funds will be
7 allocated for regional marketing and
8 promotion. Likewise, the Governor has set
9 aside \$1.1 million for Taste New York.

10 Lastly, the Governor's proposal
11 includes \$150 million available for the
12 fourth round of the Regional Economic
13 Development Councils. And our association
14 strongly supports the councils, and we
15 encourage more tourism-specific awards to be
16 granted. To that end, we request that the
17 state's tourism funding mechanisms are
18 preserved so the industry, along with state
19 and local partners, continue to flourish.

20 We would also certainly welcome any
21 additional funding, specifically to the
22 matching grant programs. These programs
23 allow each region to commit matching funds,
24 it doubles the investment, and allowing

1 business to develop locally.

2 To summarize, we ask you to consider
3 that consistency of funding to tourism is
4 critical to assure our ability to compete
5 with other states that have historically
6 outspent us. We want to reiterate that any
7 investment in tourism contributes \$7 back to
8 our economy for every \$1 invested.

9 We're very grateful for your
10 recognition of tourism as an important
11 economic engine in New York State, and
12 request your support of the budget. I thank
13 you for your time, and I'm happy to answer
14 any questions. Thank you.

15 CHAIRMAN DeFRANCISCO: And thank you
16 for summarizing your testimony.

17 Tourism is an extremely important
18 industry, and if we invested as much in this
19 industry that we do on others, I think we'd
20 even be showing substantially greater
21 increases in tourism throughout the state.

22 Anyone else?

23 ASSEMBLYMAN SCHIMMINGER: Kathryn, you
24 said toward the end of your testimony that

1 you and the organizations you represent
2 strongly support the Regional Councils. Do
3 you feel that these Regional Councils should
4 be codified in state law because of this
5 strong support?

6 MS. MUNCIL: I'm not sure that I could
7 answer that in terms of how different it
8 would be, because the process does currently
9 work. And we are -- we enthusiastically
10 accept what has happened, and the same action
11 going forward.

12 ASSEMBLYMAN SCHIMMINGER: Thank you.

13 CHAIRMAN DeFRANCISCO: Thank you very
14 much.

15 MS. MUNCIL: Thank you.

16 CHAIRMAN DeFRANCISCO: The next
17 speaker, Robert Puckett.

18 *(Discussion off the record.)*

19 CHAIRMAN DeFRANCISCO: And Dave
20 Lamendola to give him moral support.

21 MR. PUCKETT: Thank you, Chairman.

22 CHAIRMAN DeFRANCISCO: You're on.

23 MR. PUCKETT: As you said, David
24 Lamendola from Verizon will be joining me as

1 well. I'll also summarize my testimony in
2 the interest of time.

3 I'm with the New York State
4 Telecommunications Association. We've got
5 approximately 35 carriers who operate in the
6 State of New York, some as large as
7 Windstream, AT&T, Sprint, down to the smaller
8 rural carriers that serve a lot of the
9 upstate areas, primarily rural areas, such as
10 Hancock Telephone Company and others.

11 We're here to talk today to talk about
12 regulatory reform contained in the budget,
13 two items out of three, and they're in Part R
14 of the Technology, Economic Development and
15 Environmental Conservation section of the
16 budget.

17 And what is being proposed, the first
18 item would give the PSC the flexibility to
19 waive certain PSC laws after -- and it's
20 important to note, after notice and hearing.

21 I should point out that these laws
22 were first established, all of them were
23 established in 1910 and -- except for one,
24 which was established in 1912. Now, since

1 that time -- that was back in the days of a
2 monopoly telephone service. You had one
3 provider, you could have a phone as long as
4 it was black and hanging in your wall, and
5 you could only have one.

6 Well, things have changed. In the
7 last 11 years, for example, the incumbent
8 telecom industry, the landline providers,
9 have lost over 60 percent of their landlines
10 to others, such as wireless, cable TV, et
11 cetera. So there's been significant change
12 in our industry. Of all the telephones in
13 New York today, I estimate the incumbent
14 landline providers serve about 15 to
15 20 percent of the market.

16 So we certainly applaud the Governor's
17 efforts here to reduce some of the regulatory
18 laws that have been on the books since 1910
19 and at least give the PSC the flexibility to
20 look at those laws and waive them, if
21 necessary.

22 Now, there may be some changes that
23 even some of my members wouldn't support.
24 But it gives the PSC the authority to issue

1 notice, have hearings, et cetera. And
2 certainly anybody that has a concern with any
3 particular waiver that they may be thinking
4 of granting certainly could speak to that
5 issue before the PSC. That's the first item.

6 The second item, real quick, deals
7 with cable TV franchises. Right now, they
8 are approved -- you enter into them on the
9 local level, whether it be in the village or
10 the township, quite a resource-intensive
11 process having to deal with many villages and
12 towns across New York, especially if you're a
13 large provider. And even if you're a small
14 provider, it takes a lot of resources.

15 This would allow the PSC to then
16 approve those franchises automatically within
17 45 days. If nothing is done, they're
18 automatically approved. And of course they
19 must meet the standards set forth by the PSC.

20 So those are two items we support in
21 the budget. And certainly if you have any
22 questions, Dave or I will be glad to address
23 them.

24 CHAIRMAN DeFRANCISCO: Senator

1 Kennedy.

2 SENATOR KENNEDY: I'm assuming, David,
3 I can ask you questions regarding Verizon?

4 MR. LAMENDOLA: Yes.

5 SENATOR KENNEDY: Well, there's
6 multiple areas of the state, specifically
7 within the City of Buffalo and the district
8 that I represent, that have not yet been
9 connected with the option to access the most
10 up-to-date, fastest broadband service.
11 Besides being an annoyance to the residents
12 of the City of Buffalo, it puts certain
13 neighborhoods at a clear competitive
14 disadvantage in attracting and maintaining
15 businesses in our community and jobs in our
16 community.

17 And as we climb this uphill path that
18 our economic recovery is ensured, we need to
19 knock down these barriers of doing business
20 in New York, as I'm sure you agree. But one
21 of those barriers we're finding in Buffalo is
22 the inability to access the highest-speed
23 broadband services, specifically Verizon
24 FiOS. And I'm very concerned that, because

1 of Verizon refusing to build FiOS into the
2 City of Buffalo, that we're experiencing a
3 growing digital divide. And some communities
4 are left behind, while others are fully wired
5 and empowered for growth, right around the
6 City of Buffalo, as you're well aware.

7 I'm sure you agree, once again, as a
8 state that we can't leave behind these wide
9 swaths of communities, and thousands if not
10 millions of New Yorkers, by not providing
11 them with access to high-speed internet
12 services like FiOS.

13 So my question is, why has Verizon
14 refused to build out FiOS services in urban
15 communities across New York State,
16 specifically in my district in the City of
17 Buffalo?

18 MR. LAMENDOLA: Senator, my preference
19 would be to review what's in the budget
20 today, which is this Part R.

21 But since you have asked, we currently
22 are focused on build-out obligations where we
23 have secured franchises, for-video franchises
24 in the communities. I think right now our

1 number is at 182 in the State of New York.

2 And in regards to the accusation that
3 Verizon may have, what you said, created a
4 digital divide -- I think those were your
5 words -- we would disagree with you. We
6 offer broadband services in the City of
7 Buffalo today, it's our high-speed internet
8 service, commonly referred to as DSL. And
9 regarding -- we also offer video TV
10 throughout the City of Buffalo with a
11 marketing agreement through a company called
12 DIRECTV.

13 SENATOR KENNEDY: But you do not
14 provide FiOS, correct?

15 MR. LAMENDOLA: Excuse me?

16 SENATOR KENNEDY: You do not provide
17 FiOS in --

18 MR. LAMENDOLA: We don't provide --

19 SENATOR KENNEDY: -- the City of
20 Buffalo?

21 MR. LAMENDOLA: -- we -- there may be
22 some fiber in the City of Buffalo to provide
23 what we commonly call a "Double Play," but
24 right now there is no video franchise with

1 the City of Buffalo to provide video service.

2 SENATOR KENNEDY: So do you believe
3 that Verizon should provide this service to
4 all New Yorkers, including in the City of
5 Buffalo?

6 MR. LAMENDOLA: No. And I don't
7 believe we ever intended to do that.

8 SENATOR KENNEDY: Okay. And why is
9 that?

10 MR. LAMENDOLA: It's a -- I guess
11 we'll -- how about let's take this offline
12 and I'll come into your office and discuss.
13 But right now we'd like to focus on Part R.
14 We think that is economic development, and we
15 think that is a good effort by the Governor
16 and by others to look at common regulatory
17 reform efforts.

18 SENATOR KENNEDY: I -- I get it. And
19 I'd be very pleased to meet with you
20 privately about this as well.

21 But this has a direct impact on
22 economic development in the City of Buffalo
23 and on businesses in the City of Buffalo.
24 And I believe, you know, as we just had the

1 Commissioner of Economic Development in the
2 State of New York talking about the build-out
3 and the Buffalo Billions, and making sure
4 that there's jobs and economic opportunity in
5 the City of Buffalo, we need to provide
6 opportunities for these businesses to thrive.

7 And, you know, I'd like a commitment
8 from Verizon to build out in the City of
9 Buffalo. This is not something new, but this
10 is something that is extremely important to
11 the people of my district, the City of
12 Buffalo. I'm constantly hearing this issue
13 being brought to my attention. My colleagues
14 in government at every single level are in
15 tune with this issue.

16 CHAIRMAN DeFRANCISCO: You don't have
17 to make any commitments. You're a private
18 company that makes decisions based upon
19 whatever your protocol is. For you to give a
20 public commitment as to business that you may
21 or may not do in the future has nothing to do
22 with the budget of the State of New York.

23 SENATOR KENNEDY: It does have to do
24 with economic development, though.

1 So I will -- I will look forward to
2 that meeting with you.

3 MR. LAMENDOLA: Great.

4 SENATOR KENNEDY: The other issue I'd
5 like to bring up to you is the "double-wood"
6 issue. Would you like to reserve that as
7 well? Or would you like to comment on the
8 "double-wood" issue?

9 MR. LAMENDOLA: No, thank you. We
10 could discuss that when we want to have a
11 meeting, to talk about that.

12 And if you have any questions about
13 Part R, I'd like to help you on that.

14 SENATOR KENNEDY: Fair enough.

15 MR. LAMENDOLA: Great.

16 CHAIRMAN DeFRANCISCO: Senator
17 Krueger.

18 SENATOR KRUEGER: Hi. I guess mine is
19 a consumer affairs question, but since you're
20 both here in front of me -- this
21 cramming-of-cellphone problem that seems to
22 be national. And I recently received a
23 warning from the New York City Department of
24 Consumer Affairs, where you get a one-ring

1 call on your cellphone, and then if you -- a
2 number pops up, so if you call it back
3 thinking someone was looking for you, somehow
4 you've magically agreed to potentially owing
5 \$20, \$30, simply for returning that call.

6 At least according to the note I got,
7 Sprint was offering to credit back the money
8 to customers. But apparently this is
9 becoming a universal problem, and it can't be
10 unique to one vendor. So I'm wondering what
11 can we do about it, and what are we doing
12 about it.

13 MR. PUCKETT: It is a national
14 problem. And, in fact, the FCC and the FTC
15 are looking at this issue right now to try to
16 strengthen enforcement action, if you will,
17 against some of these providers.

18 Many of these calls are from the
19 Caribbean. And Senator Schumer has -- I'm
20 not sure if he's introduced legislation or
21 discussed legislation to -- if you will,
22 stronger enforcement action for folks who
23 violate, for example, the FCC Do Not Call
24 list.

1 But that's basically my knowledge of
2 that situation. It's not so much a state
3 issue as a national issue.

4 SENATOR KRUEGER: And is there
5 anything we can at a state level to either
6 prevent it or to ensure people aren't getting
7 billed on their cellphone bills?

8 MR. PUCKETT: I don't know that there
9 is. And being international calling, if one
10 state were to try to do something versus
11 another state, I don't know if that would be
12 a worthwhile endeavor.

13 And keep in mind, the federal
14 government itself is -- is struggling to
15 enforce the Do Not Call database and Do Not
16 Call program. And certainly it's a challenge
17 for them; it would be a challenge for the
18 states as well.

19 I mean, certainly it's a problem, and
20 it needs to be addressed. But I think the
21 federal level is the more appropriate avenue
22 to do that.

23 SENATOR KRUEGER: And simply because,
24 Verizon, you're here. So Sprint says it's

1 going to make its customers whole. Does
2 Verizon have the same policy?

3 MR. LAMENDOLA: Yeah, Senator, I'm not
4 that familiar with the issue myself, but I
5 could certainly get back to you on that.

6 SENATOR KRUEGER: Thank you. Thank
7 you.

8 CHAIRMAN DeFRANCISCO: Thank you very
9 much.

10 MR. PUCKETT: Thank you.

11 MR. LAMENDOLA: Thank you.

12 CHAIRMAN DeFRANCISCO: The next
13 speaker is Jo Wiederhorn, President of
14 Associated Medical Schools of New York, for a
15 repeat performance.

16 MS. WIEDERHORN: Yes.

17 CHAIRMAN DeFRANCISCO: And then
18 followed by Marnie LaVigne.

19 ASSEMBLYMAN SCHIMMINGER: LaVigne.

20 CHAIRMAN DeFRANCISCO: There's a guy
21 up there that looks just like Schimminger.

22 (Laughter.)

23 CHAIRMAN DeFRANCISCO: Whenever you're
24 ready.

1 MS. WIEDERHORN: Okay. Thank you very
2 much.

3 I'm Jo Wiederhorn. I'm the president
4 and CEO of the Associated Medical Schools of
5 New York. I appreciate, Senator DeFrancisco,
6 your taking the time, and Senator Krueger,
7 your taking the time again to hear my
8 presentation --

9 CHAIRMAN DeFRANCISCO: Are you on?
10 This -- you're very --

11 MS. WIEDERHORN: Am I now on?

12 CHAIRMAN DeFRANCISCO: Yes. Just move
13 it a little closer.

14 MS. WIEDERHORN: A little -- okay. A
15 little button?

16 CHAIRMAN DeFRANCISCO: There you go.

17 MS. WIEDERHORN: Okay. I appreciate
18 your taking the time to listen to my
19 testimony.

20 I was sitting here listening to the
21 speakers before me, and I was wondering, now,
22 many people may be wondering why am I here
23 representing the 16 medical schools of
24 New York. And I think the reason why I'm

1 here is very clear, if you look at the fact
2 sheet which I put as part of my testimony.
3 I'm here because we are one of the biggest
4 economic drivers in the state.

5 But what I'm here to talk about today
6 is not our overall numbers, which include
7 700,000 jobs and include over \$85 billion
8 being put into the state economy, but to talk
9 specifically about the need for biomedical
10 research, and how that is a driver and can be
11 a larger driver of the economy in this state.
12 So if you look at the fact sheet which is
13 part of your testimony, I think there's some
14 really important things that need to be
15 brought out.

16 First of all, I was listening to
17 Commissioner Adams, and he was talking about
18 how small the state's commitment is, on a
19 per-jobs basis compared to other states, in
20 terms of attracting businesses here. And
21 yet, if you look at this, and you look at the
22 bottom on the front, the very bottom where it
23 says, "State Investment in Bioscience Fuels
24 Job Growth," you'll see that compared to

1 other states that have put quite a bit of
2 money into bioscience and supporting
3 biomedical research, New York lags very far
4 behind.

5 And the state that isn't on here, but
6 there is another graph which is in the
7 testimony itself, on page 5, Connecticut is
8 in that graph. And Connecticut realized when
9 Pfizer left that they needed to do something
10 to keep those jobs and to continue to grow
11 their economy. So Connecticut, which has a
12 very small annual budget compared to
13 New York, has made a commitment of over
14 \$1.5 billion over 10 years to invest into the
15 life sciences.

16 We think this is really important now
17 to bring this up to you, because at this
18 point the NIH funding for biomedical research
19 has dropped. So in 2012 the state got
20 approximately \$2 billion in funding for
21 bioscience from the NIH. And that was the
22 year of the sequestration, and that year we
23 lost \$102 million from NIH. As we lost that
24 money, there isn't any money that's being put

1 back into the federal budget to replace that
2 \$102 million. So we're starting out at a
3 deficit of \$102 million every year from the
4 feds.

5 Now, I have heard some people very
6 strongly believe that this investing in
7 bioscience is not the role of a state but
8 rather the role of the federal government.
9 But I would like to just say that I don't
10 believe that that is true in this particular
11 day and age. Because again, if you look at
12 the fact sheet and you look on the front
13 page, and it shows how much New York has
14 put -- how much New York -- I'm sorry. What
15 the NIH funding is for New York, in comparing
16 that to the job growth, within the state -- I
17 think I just screwed that up, I'm sorry.

18 If you look at the state investment in
19 bioscience and compare it to the job growth,
20 you'll see that as these other states are
21 putting money in, they are reaping rewards
22 from that. And the rewards that they're
23 reaping are jobs that are not going to be in
24 New York, they're going to be stealing some

1 of our star scientists, they're going to be
2 recruiting them and their labs, and we will
3 not only continue to drop in terms of job
4 growth if we don't invest, we will also have
5 a major brain drain.

6 Now, there's a lot of talk about brain
7 drain from a variety of industries. And we
8 talked about brain drain a number of years
9 ago when we were looking at the stem cell
10 research and wanting funds to be put into
11 stem cell research, which the state did. And
12 that investment in stem cell research is that
13 \$0.6 billion that you see here. As compared
14 to the \$3 billion in California, \$3 billion
15 in Texas, \$1 billion in Massachusetts, and
16 \$1.5 billion that was just put into
17 Connecticut.

18 So I think that, you know, when we did
19 do the stem cell funding, and when it was
20 fully funded -- it has not been fully funded
21 now for a number of years, but when it was
22 fully funded, we were able to attract more
23 and more scientists. At this point, though,
24 we are unable -- we will be unable to do so,

1 because NIH funding is decreasing. And other
2 states are increasing the dollar amount that
3 they're putting in.

4 If you flip the fact sheet over,
5 you'll see the results of bioscience
6 investment in the state. So overall,
7 \$30 billion is invested nationwide by venture
8 capitalists and bioscience companies. Again,
9 most of that money goes to states that the
10 state has made large investments in.

11 New York has 4 percent of the venture
12 capitalist money in bioscience in the
13 country. This, coupled with the fact that --
14 if you look at it closely, coupled with the
15 fact that of the venture capitalist firms
16 that are located in New York State, only
17 9 percent of the money that they have
18 invested has gone to New York State. So
19 clearly we have the most medical schools, we
20 train the most students, we have more
21 M.D./Ph.D. programs than any other state. We
22 have the opportunity here, but it's not
23 happening.

24 And so I'm here to say and to ask that

1 you would support bioscience faculty,
2 particularly faculty recruitment and
3 development. Because as actually the
4 commissioner was talking about, there's the
5 need to have students who are going to be
6 trained in and students who know how to do
7 the science and to work within the industry.
8 We need to be able to continue our pipeline
9 of scientists, faculty members who will be
10 going into the labs, who will be making the
11 discoveries, and who will be supporting the
12 bioscience industry moving forward.

13 Thank you.

14 CHAIRMAN DeFRANCISCO: Thank you.
15 Thank you very much.

16 As is in all hearings, as the hour
17 gets later, people are less apt to ask
18 questions --

19 MS. WIEDERHORN: That's fine.

20 CHAIRMAN DeFRANCISCO: It has nothing
21 to do with the quality of your speech or your
22 presentation.

23 MS. WIEDERHORN: Thank you.

24 CHAIRMAN DeFRANCISCO: University of

1 Buffalo, Marnie LaVigne, associate vice
2 president for Economic Development.

3 (Discussion off the record.)

4 ASSEMBLYMAN OAKS: We have been joined
5 by Assemblyman Moya.

6 CHAIRMAN DeFRANCISCO: And we've also
7 been joined again by Assemblyman Schimminger.
8 He's back up here.

9 ASSEMBLYMAN SCHIMMINGER: I'm taking a
10 lower seat.

11 (Laughter.)

12 CHAIRMAN DeFRANCISCO: And Andrew
13 Reynolds is next.

14 You're on.

15 MS. LaVIGNE: Very good. Thank you
16 for having me this afternoon.

17 I want to say my appreciation goes to
18 all for staying around for this late hour in
19 the conversation. But I hope that what
20 you'll find will, one, be a follow-on to the
21 testimony that you just heard, but also
22 enlightening as far as how New York State is
23 playing a critical role in higher education
24 in driving economic development.

1 I'm Marnie LaVigne, associate vice
2 president for economic development at the
3 University at Buffalo, and I am here on
4 behalf of the vice president for research and
5 economic development, Alex Cartwright.

6 Many of you have been very involved in
7 supporting our efforts, and what I wanted to
8 do is just take a few minutes to talk with
9 you about the economic development
10 activities, particularly in the high tech
11 sectors that have been a major focus of what
12 we've been talking about today.

13 And in fact I do want to impress upon
14 you that New York State is playing a major
15 role not just in biomedical research, but in
16 that commercialization pipeline. And without
17 New York State playing that role, we would
18 not be able to stay on par with the other
19 states. So I want to start out by just
20 lauding your efforts to promote key programs
21 that have supported our efforts for so long.

22 As the largest of the SUNY campuses,
23 we fully appreciate the seriousness of our
24 mission to educate our 28,000 students.

1 Because we know, just as you heard a few
2 moments ago, this is the future of our
3 economy. These are people who are in your
4 neighborhoods, they're your relatives, these
5 are the individuals who are telling you they
6 want to stay in the State of New York, and in
7 fact they will be driving that economy if we
8 give them the opportunity.

9 So we're very fortunate with a
10 \$360 million research budget -- which
11 accounts for about a third of the SUNY
12 portfolio of patents -- that in fact we are
13 able to take those assets and turn them into
14 opportunity for these young students, for
15 those in the graduate schools, for our
16 professionals, and for people living in your
17 neighborhoods and our whole state. So in
18 fact we've really made great strides, and in
19 some respects I think we're just hitting our
20 stride by building on the foundation of what
21 you have put forward to us.

22 In the 1980s, New York State was
23 actually was at the forefront in the U.S. at
24 introducing the Center for Advanced

1 Technology program. Other states did not
2 have anything to look at commercializing
3 their technologies. And now, of course, the
4 new millennium, we saw the Centers of
5 Excellence -- and as you have mentioned
6 today, we have groundbreaking programs that
7 really are unprecedented: START-UP NY,
8 Innovation Hot Spots.

9 But today what I really want to do is
10 emphasize with you the power of that
11 foundation through your Center for Advanced
12 Technology Program and Centers of Excellence,
13 and how they have actually led us to create
14 that cluster economy that we know is the
15 future of New York State.

16 So first of all, you know, as many of
17 you know, we were designated at the
18 University of Buffalo with the Biomedical and
19 Bioengineering Center for Advanced
20 Technologies some years ago. And then in
21 2001 we were named with the New York State
22 Center of Excellence in Bioinformatics and
23 Life Sciences.

24 And thanks to the support of so many

1 of you, we received the second designation
2 for the New York State Center of Excellence
3 in Materials Informatics. And we truly
4 appreciate your efforts to understand how
5 these foundational moves really are what is
6 the basis for catalyzing this new economy.

7 And I would just comment that the
8 details of these programs become pretty
9 murky; it's hard to know exactly how they
10 work and how companies are using them. But
11 it was a perfect progression to go from
12 Center for Advanced Technology, or CAT, which
13 helps do research and development for
14 specific company product and service
15 development projects, into Centers of
16 Excellence. Why? Because that created the
17 play-spaced opportunity for clusters.

18 Any of you who have been to Western
19 New York hopefully have seen the Buffalo
20 Niagara Medical Campus for you to experience
21 what having a Center of Excellence facility
22 has done to be the home for our Center for
23 Advanced Technology. And in fact, our
24 location has housed as many as

1 12 private-sector firms.

2 And being one of the lead folks at UB
3 in charge of the START-UP NY program, I can
4 tell you we have been speaking to at least
5 100 companies. A significant portion of
6 these actually match up perfectly with our
7 focus in areas like life sciences and
8 advanced manufacturing. So more collocation
9 is in the offing, absolutely.

10 And in fact, we have been one of the
11 most high-performing Centers for Advanced
12 Technology, with a 30 to 1 average. But this
13 year is our personal best, with a 64 to 1.
14 And why did that happen? It happened because
15 we reached out to the community and were able
16 to develop a long-term relationship with the
17 companies who were trying to grow in our
18 region.

19 We have a perfect example of how we
20 were able to help a company that went from a
21 lifestyle status firm into a firm that was
22 just acquired and is looking to grow even
23 more in Western New York. IMMCO Diagnostics,
24 which is an autoimmune diagnostics company in

1 Western New York, started in 1971 by UB
2 professors, it was going on very nicely, and
3 the new millennium brought on new business
4 talent. They got engaged in the Buffalo
5 Niagara Medical Campus, located a lab on the
6 medical campus rather than just maintaining a
7 suburban location.

8 And what did they do? They were able
9 to work with us on our Industrial Advisory
10 Board for the CAT, they were able to get
11 involved in the cluster activities that are
12 going on and building in Buffalo every day.

13 And in fact they licensed a technology
14 for an autoimmune disease called Sjogren's
15 syndrome. Many of you who are familiar with
16 her, tennis champion Venus Williams suffers
17 that debilitating disease. That new test is
18 going on the market after it having been
19 discovered at the University of Buffalo and
20 commercialized through the support of the
21 Center for Advanced Technology and the Center
22 of Excellence. Very powerful.

23 And what I would just say is, you
24 know, take a look; the only Centers of

1 Excellence and CAT programs in the whole
2 system that actually align in their
3 technology focus areas are in Buffalo and in
4 Albany. And look at the cluster activity
5 that is developing there. It's quite
6 remarkable.

7 In addition, only three of the CATs
8 actually are in life sciences. And at this
9 time when all the baby boomers are, let's
10 say, maturing, clearly our needs in health
11 and life sciences innovation are only
12 accelerating.

13 So our job creation statistics are
14 terrific, in the thousands of jobs that have
15 been created and retained. In number of
16 start-ups, we continue to have five to 10
17 every single year, with \$130 million in
18 research monies that have been brought as
19 extramural funding beyond the state. As you
20 just heard, the importance of that funding is
21 to lead to new innovation that we can
22 commercialize. We are the leader at
23 University of Buffalo of all the units that
24 are introducing START-UP NY. And that is

1 crucial.

2 And I look forward to lots of
3 conversations back in the district, Robin,
4 with you. It has been an incredibly powerful
5 experience to actually introduce companies to
6 all the programs we have. Even when
7 START-UP NY may not be the right fit,
8 suddenly they realize we're there with all
9 kinds of resources. Outreach, every single
10 year. And federal funding that we've brought
11 back when others were not aware of how you
12 get that in the innovation arena, to the tune
13 of a million and a half dollars from the
14 economic development administration.

15 And finally, of course, there's been
16 mention of the new Genomic Medicine
17 Initiative. It is only through our
18 foundation and life sciences that has built
19 up through the CAT and the Center of
20 Excellence, and now the new Center of
21 Excellence in Materials Informatics, that we
22 actually had the basis for proposing, and
23 very shortly to be delivering on, the Genomic
24 Medicine Initiative.

1 We already have companies, by the way,
2 ready to move in within two months, one from
3 Germany, a new diagnostics firm. That's how
4 powerful all these programs are when you
5 align them with your Regional Council, when
6 you align them with the Buffalo Billion
7 Investment Development Plan, and when you
8 gather all of those resources with your
9 higher ed institutions, bringing them to the
10 table.

11 Similarly, our Materials Informatics
12 Center of Excellence is doing the same thing.
13 We're fully aligned with our Regional Council
14 advanced manufacturing focus, our new Center
15 in Advanced Manufacturing, the institute
16 that's being introduced by EWI, who is out of
17 Columbus, Ohio. We actually have been
18 working with them for over a year. Again,
19 because of the great experience and expertise
20 we have in Materials Science.

21 So your higher ed partners are
22 absolutely critical. And I would just ask
23 any of you, if you haven't been to Buffalo,
24 you've got to come. The energy there is

1 palpable, and everyone will tell you that.
2 And as such, it is critical that we can help
3 create that energy across every city and town
4 not only across Western New York, but the
5 entire state. How do we do that? Through
6 programs like CAT and Centers of Excellence
7 that really create the foundation.

8 So I do implore you -- you'll be
9 hearing from my colleagues on Advocacy Day,
10 February 25th and 26th, from the Centers of
11 Excellence, but I do ask that you consider
12 restoring the funding to the Centers of
13 Excellence program, which has been proposed
14 for a cut in the current budget. It is
15 foundational, and it is something that is
16 yielding returns that are certainly meeting
17 your expectations.

18 So minimum funding, I would request
19 \$1 million for Centers of Excellence. And
20 CATs as well, have been living on an
21 8 percent cut, so \$1 million for CATs. Going
22 forward, I realize restructuring is always
23 something we should be looking at, but I urge
24 you, this is minimal funding compared to

1 other states.

2 So we would like to see this
3 consolidation and alignment; however, with
4 maintaining significant dollars, so that we
5 really can do our jobs properly.

6 Final point, please engage us. We've
7 been running these programs for years, we
8 know how to do it efficiently, and our
9 customers are very happy. So please involve
10 us and the program directors at NYSTAR, who
11 have worked with us for years to optimize
12 every detail of these programs, which really
13 are giving the taxpayers tremendous value and
14 incredible economic impact.

15 Thank you.

16 CHAIRMAN DeFRANCISCO: Thank you very
17 much. Appreciate it.

18 ASSEMBLYMAN OAKS: Thank you.

19 CHAIRMAN DeFRANCISCO: The next
20 speaker is Andrew Reynolds, communications
21 organizer, Coalition For Economic Justice,
22 followed by Anita Halasz.

23 (Discussion off the record.)

24 CHAIRMAN DeFRANCISCO: Okay. Whenever

1 you're ready.

2 MR. REYNOLDS: Good afternoon.

3 I would like to thank the members of
4 this committee for giving me the opportunity
5 to comment today. My name is Andy Reynolds,
6 and I'm the communications organizer for the
7 Coalition for Economic Justice. We are a
8 Buffalo-based nonprofit that unites workers,
9 community members, religious leaders,
10 students and other allies to advance social,
11 racial and economic justice.

12 The Coalition for Economic Justice
13 also co-anchors the Getting Our Money's Worth
14 Coalition, which is a broad-based statewide
15 coalition that advocates for good jobs,
16 strong communities, and sustainable economic
17 growth through comprehensive reform of
18 New York's economic development system.

19 We believe that our government has a
20 responsibility to use public money to make
21 smart investments that revitalize our
22 economy, increase economic opportunities for
23 all New Yorkers, and benefit our community as
24 a whole. The problem is that far too often

1 our state's economic development programs are
2 investing public subsidies in private
3 businesses that are simply failing to create
4 good jobs or new economic growth.

5 The Getting Our Money's Worth
6 Coalition released a report last year which
7 analyzed data from dozens of economic
8 development programs, and found that New York
9 spends approximately \$7 billion annually in
10 the name of economic development.

11 In addition, the report found that few
12 programs require recipients of subsidies to
13 set performance goals, such as job creation;
14 few require project-specific reporting or
15 monitor the success of projects; and few
16 allow for adequate public review or recourse
17 when corporations fail to live up to their
18 agreements. At a cost of \$7 billion a year,
19 it is nearly impossible for the public or
20 policymakers to determine if this substantial
21 investment in economic development is working
22 for New York.

23 New York's failing economic
24 development system comes at a cost to local

1 communities, which lose out on critical tax
2 revenue needed for infrastructure, schools,
3 public transportation, and other public
4 services we all depend on. In a moment when
5 many municipalities are facing budget
6 deficits, our state leaders have a chance to
7 transform failing economic development
8 programs into effective tools that grow our
9 state and local economies and create broadly
10 shared prosperity.

11 So it's time New Yorkers get our
12 money's worth from economic development
13 dollars by ensuring that corporate subsidies
14 do create good jobs for local workers, that
15 transparency measures are in place for the
16 public and policymakers to effectively
17 monitor the programs, and that companies that
18 fail to live up to their agreements are held
19 accountable.

20 New Yorkers need and deserve real
21 solutions to fix New York's broken economic
22 development system. And the Just and Open
23 Business Subsidies Act is a solution that
24 will prioritize performance, accountability

1 and transparency to ensure that our economic
2 development programs are making smart
3 investments in companies that will create
4 good, family-sustaining jobs and shared
5 community benefits.

6 So we're here today to ask legislators
7 to support the JOBS Act, to rein in the
8 \$7 billion in annual economic development
9 spending. The key reform measures included
10 in the JOBS Act are listed below: Prioritize
11 performance by requiring that proposed
12 development projects set job creation, job
13 quality, and local hiring goals before
14 receiving public subsidies; show us the jobs
15 by creating a public website where
16 New Yorkers can track the performance of
17 subsidized projects, and by including subsidy
18 spending in state unified economic
19 development budget; increase accountability
20 by ensuring that all publicly subsidized
21 projects engage community stakeholders; and
22 establish a money-back guarantee that allows
23 local or state government to recapture
24 subsidies when projects do not meet their

1 promises.

2 Thank you.

3 CHAIRMAN DeFRANCISCO: Thank you very
4 much.

5 SENATOR KRUEGER: Just a thank you.
6 I've been carrying bills like this for quite
7 a long time, and I'm hopeful that this new
8 bill might gain some traction.

9 MR. REYNOLDS: Great. Thank you. We
10 appreciate your support, and thanks.

11 CHAIRMAN DeFRANCISCO: Have you always
12 lived in Buffalo?

13 MR. REYNOLDS: I'm originally from
14 Binghamton, New York.

15 CHAIRMAN DeFRANCISCO: I lost a bet
16 with Senator Krueger.

17 MR. REYNOLDS: Okay.

18 (Laughter.)

19 CHAIRMAN DeFRANCISCO: Thank you very
20 much.

21 MR. REYNOLDS: You're welcome. Thank
22 you.

23 CHAIRMAN DeFRANCISCO: The next is
24 Anita Halasz, executive director, Long Island

1 Island. Workers doing the construction on
2 this project were not only paid poverty
3 wages, but they were also non-union and
4 non-local labor.

5 This is just one example of many
6 examples across New York State where local
7 taxpayer money has been used to solely
8 benefit corporate interests, and leave
9 communities struggling.

10 Our state needs a budget that works
11 for everyone, not just wealthy corporations.
12 At a time when government services are being
13 slashed and working people are struggling to
14 make ends meet, New York's economic
15 development system needs to prioritize smart
16 projects that lift up local communities
17 through the promise and delivery of good
18 jobs.

19 The use of public monies for economic
20 development projects should always produce a
21 return for local communities that strengthen
22 the infrastructure of our schools, jobs, and
23 necessary public services. The Just and Open
24 Business Subsidies Act, recently introduced

1 by Assemblyman Sean Ryan, would build an
2 economic development system of efficiency,
3 accountability, and public transparency in
4 order to ensure the optimal benefit of
5 approved projects across New York State.

6 Now is the time to renew our
7 commitment to New York's hardworking people
8 by supporting solutions that advance the
9 success and livelihood of our communities,
10 not just the pockets of wealthy corporations.
11 And we really do feel strongly that 2014 is
12 the year to do this, through the support and
13 passage of the JOBS Act.

14 So thank you very much for your time,
15 and I welcome any questions.

16 SENATOR KRUEGER: Thank you.

17 CHAIRMAN DeFRANCISCO: Thank you very
18 much.

19 And the featured speaker that we've
20 been waiting for all day, the last speaker,
21 Tomas Garduno, Political Director of ALIGN.

22 MR. GARDUNO: Good afternoon. I'm
23 happy to be the featured speaker.

24 CHAIRMAN DeFRANCISCO: Absolutely.

1 (Laughter.)

2 MR. GARDUNO: As was mentioned, my
3 name is Tomas Garduno. I'm the political
4 director of ALIGN, Alliance for a Greater
5 New York, and I appreciate the opportunity to
6 speak with you today.

7 The previous two speakers, my
8 colleagues Anita and Andy, spoke to the
9 details of the importance of reforming our
10 corporate tax subsidy programs here in
11 New York, so I won't get into the details.

12 I will say that I think that we have
13 an opportunity this year, particularly within
14 the budget, to think about how we can do our
15 job to ensure that taxpayers get our money's
16 worth, particularly that we get a return on
17 our investment. And so as you've heard from
18 several other speakers, at this point there's
19 so many different programs, and so many
20 different ways in which people can access
21 money, that we're just really not sure
22 whether or not these programs are being
23 efficient and effective with our taxpayer
24 dollars.

1 And so we're here to ask that the
2 commission actually think about including
3 into the budget, particularly specific
4 aspects of the JOBS Act, which is include
5 transparency, accountability and efficiency
6 standards, that would ensure that we, as
7 taxpayers in the State of New York, are
8 actually getting our money's worth with the
9 investment that we're making in these
10 companies.

11 As has been stated before, there are
12 so many examples of just not knowing. And we
13 believe that by creating these particular
14 simple reforms that we would actually be able
15 to gather that information and be able to
16 choose who's doing well and who's not, with
17 that information.

18 And like my previous colleagues
19 mentioned, the specific aspects include a
20 one-stop website that would ensure the public
21 would have assess to this information, and
22 that these programs would become more
23 accountable to the public as a whole.

24 You know, one statistic that I will

1 mention is that the research that we've done
2 has shown that 96 percent of New York
3 businesses actually do not access subsidy
4 programs. That means that essentially nearly
5 the entire business community in the State of
6 New York is subsidizing 4 percent of the
7 businesses in New York.

8 And we think that that's oftentimes
9 because these programs are so opaque and hard
10 to access, that many small businesses
11 actually don't access these programs. So we
12 encourage you all to strive for reforms,
13 through the budget, of our corporate tax
14 subsidy programs.

15 Thank you so much.

16 CHAIRMAN DeFRANCISCO: Senator
17 Krueger.

18 SENATOR KRUEGER: Thank you. I
19 appreciate all your work and the report you
20 did a year ago, so -- documenting the
21 \$7 billion --

22 MR. GARDUNO: That's correct.

23 SENATOR KRUEGER: -- in tax giveaways.

24 I don't know, were you here earlier

1 when I was asking the commissioner of EDC how
2 easy it would be for me to go online and get
3 all this information?

4 MR. GARDUNO: Unfortunately, I was not
5 here.

6 SENATOR KRUEGER: Okay. So I'll ask
7 you, since your organization did this report.

8 The commissioner led me to believe I
9 could find all the information I wanted on
10 their website. How easy was it for you to
11 come up with the data for your report?

12 MR. GARDUNO: Yeah, so that has not
13 been our experience, Senator.

14 In fact, of the sort of particular
15 programs that do have certain reporting
16 requirements, particularly the IDA programs,
17 there's a fair amount of information. When
18 it comes to several other programs,
19 particularly the sort of different more local
20 programs, there's very little if any
21 information.

22 And so at this point, you know, we
23 just don't know, it's essentially like a big
24 block of Swiss cheese.

1 SENATOR KRUEGER: And were you able to
2 find clawback data when you were doing your
3 research to see whether companies that failed
4 to meet their obligations were, in fact,
5 paying back?

6 MR. GARDUNO: So, again,
7 unfortunately, because of a lack of a
8 standardization across all programs, there's
9 actually no way to tell one way or the other.

10 There are certain local programs that
11 do require that data and have actually clawed
12 back some money. Again, because there's not
13 a statewide standardization of the programs,
14 there's really no way to know exactly what
15 that total amount is, particularly, you know,
16 when it comes to how much money was actually
17 returned to the taxpayers.

18 SENATOR KRUEGER: Thank you very much.

19 MR. GARDUNO: Thank you.

20 CHAIRMAN DeFRANCISCO: Thank you very
21 much.

22 That concludes the hearing this
23 afternoon. Same time, same place, tomorrow
24 morning, 9:30, Mental Health. And in the