

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

2 -----

3 JOINT LEGISLATIVE HEARING

4 In the Matter of the
2016-2017 EXECUTIVE BUDGET ON
5 ECONOMIC DEVELOPMENT

6 -----

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

9 February 2, 2016
1:42 p.m.

10

11 PRESIDING:

12 Senator Catharine M. Young
Chair, Senate Finance Committee

13

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

15 PRESENT:

16 Senator Liz Krueger
Senate Finance Committee (RM)

17

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

19 Assemblyman Robin Schimminger
Chair, Assembly Committee on Economic
20 Development, Job Creation, Commerce
and Industry

21

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

23 Senator Marty Golden

24 Assemblyman Gary Pretlow

1 2016-2017 Executive Budget
 Economic Development
 2 2-2-16

3 PRESENT: (Continued)

4 Senator Timothy Kennedy

5 Assemblyman Walter T. Mosley

6 Senator Diane Savino

7 Assemblyman Raymond W. Walter

8 Senator John Bonacic

9 Assemblywoman Rodneyse Bichotte

10 Assemblywoman Diane C. Richardson

11 Assemblyman Steven F. McLaughlin

12

13 LIST OF SPEAKERS

14 STATEMENT QUESTIONS

15 Howard Zemsky
 President, CEO & Commissioner
 16 Empire State Development
 New York State Department of
 17 Economic Development

6 10

18 Kenneth J. Pokalsky
 Vice President
 19 The Business Council of NYS

88 94

20 Brian T. McMahon
 Executive Director
 21 New York State Economic
 Development Council

105 112

22

23

24

1 2016-2017 Executive Budget
 Economic Development
 2 2-2-16

3 LIST OF SPEAKERS, Cont.

4	STATEMENT	QUESTIONS
5	Ross A. Frommer	
6	VP, Government & Community	
7	Affairs & Assoc. Dean	
8	Columbia University	
9	Medical Center	
	-for-	
10	Associated Medical Schools	
11	of New York	120 126
12	Jan Marie Chesterton	
13	President	
14	New York State Hospitality	
15	& Tourism Association	129 134
16	Jenn O'Connor	
17	NYS Director, ReadyNation	
18	Council for a Strong America	137 141
19	Scott Wexler	
20	Executive Director	
21	Empire State Restaurant	
22	& Tavern Association	144 149
23		
24		

1 CHAIRWOMAN YOUNG: Good afternoon, and
2 welcome to the New York State Legislature
3 2016 joint budget hearing today on
4 February 2, 2016.

5 Pursuant to the State Constitution and
6 Legislative Law, the fiscal committees of the
7 State Legislature are authorized to hold
8 hearings on the Executive Budget proposal.
9 Today's hearing will be limited to a
10 discussion of the Governor's proposed budget
11 for economic development.

12 Following each presentation, there
13 will be some time allowed for questions from
14 the chairs of the fiscal committees and other
15 legislators.

16 I'd like to welcome, first of all,
17 Mr. Howard Zemsky, chairman and CEO of the
18 Empire State Development Corporation, and the
19 rest of the speakers who have joined us
20 today. We look forward to your testimony.

21 Your testimony will be followed by a
22 question-and-answer period by members of the
23 Legislature.

24 So at this time I'd like to welcome,

1 from Western New York, and begin the
2 testimony of Mr. Howard Zemsky.

3 COMMISSIONER ZEMSKY: Thank you very
4 much. Chairman --

5 CHAIRWOMAN YOUNG: I'm sorry. Before
6 we do that, I am missing a little
7 housekeeping.

8 We are joined by several members
9 today, and I do want to point them out.
10 We're joined by Senator Liz Krueger,
11 Senator Marty Golden, Senator John Bonacic,
12 Senator Diane Savino, and Senator Tim
13 Kennedy.

14 And I guess on the Assembly side,
15 Assemblyman Farrell has some people to
16 introduce.

17 CHAIRMAN FARRELL: Assemblyman
18 Schimminger, Assemblyman Thiele, Assemblyman
19 Pretlow, and Assemblyman Walter.

20 CHAIRWOMAN YOUNG: So at this time,
21 please go ahead. Thank you so much.

22 COMMISSIONER ZEMSKY: Chairwoman
23 Young, Chairman Farrell, and distinguished
24 members of the Senate and Assembly, good

1 afternoon.

2 I appreciate the opportunity to appear
3 before you today to discuss Governor Cuomo's
4 2016-2017 Executive Budget for Empire State
5 Development. This year's budget focuses on
6 fiscal responsibility, while leveraging
7 strategies that work to keep the state's
8 economy growing. By cutting small business
9 taxes, investing in our infrastructure, and
10 supporting regional economic development,
11 opportunity and growth will continue for all
12 New Yorkers.

13 With support from the State
14 Legislature, New York State has the lowest
15 middle-class tax since 1953, the lowest
16 corporate income tax rate since '68, and the
17 lowest tax rates for manufacturers since
18 1917. Additionally, unemployment is down in
19 all regions of the state and job creation is
20 up. Statewide, unemployment has fallen from
21 a staggering 8.9 percent in 2010 to
22 4.8 percent today. There are 7.9 million
23 private-sector jobs in New York State, an
24 all-time high, and the number of new jobs

1 continues to grow.

2 The Governor outlined a comprehensive
3 Opportunity Agenda recently, and as part of
4 his plan and the economic development budget,
5 the Governor announced a commitment of
6 \$750 million for Round 6 of the Regional
7 Economic Development Council -- REDC --
8 competition. Core funding in Round 6 would
9 include \$150 million in new capital funding
10 and \$70 million in state tax credits to
11 support regional priority projects.

12 Since the Regional Councils were
13 launched, the state has awarded nearly
14 \$4 billion in economic and community
15 development funding through the CFA for more
16 than 4,100 projects. This has resulted in
17 commitments of more than 200,000 new or
18 retained jobs in New York State.

19 In addition, the Upstate
20 Revitalization Initiative, which launched in
21 2015 as part of the REDC competition, awarded
22 \$1.5 billion to three regions: Central
23 New York, Finger Lakes, and the Southern
24 Tier. The regions were recognized as Best

1 Plan Awardees and awarded \$500 million over
2 the next five years.

3 This year, the Governor has proposed
4 the launch of a new \$200 million Upstate
5 Revitalization Initiative to fund top
6 projects for the runners up from last year's
7 URI and a new \$100 million Downtown
8 Revitalization Initiative.

9 In addition, the Governor is proposing
10 to cut taxes for small businesses that pay
11 via the corporate tax and those that pay
12 through personal income taxes. Roughly
13 1.1 million small businesses statewide will
14 benefit from this proposal, saving small
15 businesses almost \$300 million annually.

16 The Governor has made a strong
17 commitment to combat poverty and help poor
18 communities overcome challenges that prevent
19 them from fully participating in the state's
20 economic revitalization.

21 Each Regional Council is now working
22 to implement plans to remove barriers to
23 employment and to establish new workforce
24 development and skills training programs

1 across the state. This year, the Governor's
2 budget continues to support historic funding
3 of programs targeted to increase economic
4 opportunity in these communities, such as the
5 Minority and Women-Owned Business Development
6 and Lending Program, and the Community
7 Development Financial Institutions Program.
8 In addition, the Governor is proposing
9 enhancements to the Urban Youth Jobs Program
10 Tax Credit, to encourage businesses to hire
11 unemployed, disadvantaged youth.

12 The Governor has proposed a commitment
13 of more than \$50 million for tourism
14 initiatives to continue to grow the state's
15 tourism industry, which exceeded \$100 billion
16 in economic impact in 2014 for the first time
17 in state history. This is projected to have
18 generated direct spending of \$62.5 billion,
19 producing an estimated \$7.8 billion in state
20 and local taxes.

21 In closing, it has been an exciting
22 and busy start to the New Year, and ESD has a
23 lot of work ahead. The Governor's agenda
24 builds on the accomplishments we have made

1 since 2011, making New York State the place
2 to do business. We look forward to these new
3 opportunities and working together with you,
4 our legislative partners, to move our economy
5 forward.

6 Thank you again for this opportunity
7 to testify, and I'd be pleased to take
8 questions.

9 CHAIRWOMAN YOUNG: Thank you very
10 much. We appreciate that.

11 And I know that we do have some
12 questions from some Senators. So I'd like to
13 start with Senator John Bonacic.

14 SENATOR BONACIC: Thank you, Madam
15 Chairwoman.

16 First of all, I'd like to thank the
17 Governor for his concentration on upstate
18 New York with the upstate revitalization.
19 And I supported START-UP. I know there's
20 been a lot of criticism initially, but I do
21 think it's a concept that could work, in
22 time, and I think it is starting to work.

23 So I only have one quick question for
24 you, Mr. Commissioner. Last year we gave

1 \$25 million, that was allocated to restore
2 New York communities, to Empire State
3 Development. This year that amount has been
4 reduced to zero. How come?

5 COMMISSIONER ZEMSKY: You know, the
6 RESTORE NY program, one of the things that we
7 learned when we went into some of the RESTORE
8 applications that we had in the past is that
9 many of them hadn't been used, actually. So
10 we kind of went back and scrubbed the list in
11 terms of projects.

12 And there are many that have been on
13 hold for a very long time so we still have
14 and we are going to be receiving applications
15 for RESTORE NY grants. So I think we have
16 that funding that will be available actually
17 this year, because so many projects that had
18 funds committed actually never moved forward.

19 SENATOR BONACIC: Okay, so let me ask
20 this question. Are you still, in your mind,
21 committed to the RESTORE program? I
22 understand what you said is that it's slow
23 moving the money because of applications and
24 what have you. But is this going to be a

1 priority that's no longer going to exist once
2 you clear out the money that's been
3 backlogged for the RESTORE applications?

4 COMMISSIONER ZEMSKY: Well, I think
5 actually we are committed to the program, I
6 think the Governor is committed to the
7 program.

8 And some of the programs -- it's not
9 just kind of a backlog, some of these are
10 like eight years old. So I think the idea is
11 to really put that money to use where it can,
12 you know, do some good. And a lot of these
13 projects, maybe they were originally applied
14 but circumstances changed. And the money was
15 never -- the projects never went forward, for
16 whatever reason. So we're trying to go back
17 and put that money to good use.

18 SENATOR BONACIC: Sure. Do you have a
19 policy where the money is swept if the
20 project doesn't move, say, within five years?
21 You just sweep it and it becomes available
22 money for new projects?

23 COMMISSIONER ZEMSKY: No, I'm not
24 exactly sure what our policy after five years

1 is. But I know that I think it would just
2 make good sense to -- if we've got these
3 types of commitments and they're now over
4 five years old and they're just languishing,
5 let's take some of that money, I think on a
6 project-by-project basis, let's see what the
7 status of those projects are.

8 SENATOR BONACIC: Okay. My last
9 question is always, every year, how you
10 spread it geographically, metropolitan versus
11 upstate.

12 COMMISSIONER ZEMSKY: I'm sorry, say
13 again?

14 SENATOR BONACIC: In other words, the
15 RESTORE projects that are moving forward, how
16 many are moving in the metropolitan area, how
17 many are moving upstate? You know, that we
18 have a balance of.

19 COMMISSIONER ZEMSKY: Yeah, and I'd
20 have to get back to you with the detail on
21 that. But I know RESTORE applies throughout
22 the state, and I know -- I've seen projects
23 in all regions of the state that have applied
24 and have gotten funding through RESTORE.

1 SENATOR BONACIC: Thank you,
2 Commissioner.

3 COMMISSIONER ZEMSKY: Thank you.

4 CHAIRMAN FARRELL: Thank you.

5 CHAIRWOMAN YOUNG: Thank you very
6 much.

7 Assemblyman?

8 CHAIRMAN FARRELL: Robin Schimminger,
9 question.

10 ASSEMBLYMAN SCHIMMINGER:
11 Commissioner, thank you very much for being
12 here. Wonderful to see you.

13 I brought with me a copy of our
14 hometown newspaper, the Buffalo News,
15 January 16, front-page story, big headline --
16 perhaps the camera can zoom in. It says
17 "Cuomo Plan may Offset Revenue Loss in
18 Huntley Closure."

19 This excited my constituents. They
20 were very happy and comforted to hear this.
21 They asked their Assemblyman for some details
22 about the Cuomo plan.

23 I explained to them that last year, in
24 a bill which was nicknamed the Big Ugly, we

1 in the Legislature and the Governor enacted a
2 fund, a mitigation fund, a \$19 million fund
3 to help offset possible revenue losses which
4 may occur upon the closure of a fossil fuel
5 generating plant. I have one of those plants
6 in Tonawanda. There are other plants around
7 the state -- Dunkirk, et cetera.

8 None of these plants have yet closed,
9 but the municipalities are deeply concerned
10 about property tax revenue loss, PILOT
11 payment revenue loss. What guidance can you
12 give us as to what the Cuomo plan will be
13 looking like? I'm hoping that perhaps in his
14 21- or 30-day amendments he will flesh out
15 this fund, or perhaps by regulation. How can
16 you further comfort my constituents?

17 COMMISSIONER ZEMSKY: Yes, and as a
18 fellow Western New Yorker I'm very keenly
19 aware of the potential impact closures of
20 that -- of the Huntley plant and other plants
21 in the state.

22 The program is to mitigate the burden
23 on the municipalities. And the money was
24 designated to take effect, I believe, April 1

1 in 2016. So that money hasn't been available
2 to us throughout this year. And there really
3 hasn't been those closures this year. So I
4 am very confident that we will be in a good
5 situation and we will have -- you know, the
6 rules will be clarified in terms of being
7 able to assist municipalities who have lost
8 substantive revenues from the closure of
9 these plants. As, you know, I read the law,
10 they would have -- municipalities would have
11 had to have lost at least 20 percent --

12 ASSEMBLYMAN SCHIMMINGER: From the
13 plant.

14 COMMISSIONER ZEMSKY: -- from the
15 plant before they could qualify. And it's
16 not clear that the intention was to make it
17 100 percent but to bring it up so the
18 municipalities wouldn't be burdened by losses
19 in excess of 20 percent.

20 So -- but meanwhile, these plants
21 haven't closed, they haven't stopped paying
22 property taxes, and there isn't any money
23 actually to spend yet. So we are, I think,
24 ahead of the curve still, and you were very

1 ahead of the curve, having been on it now for
2 quite some time, which I appreciate.

3 But I'm very confident that we'll be
4 ready. I know the Governor's intention and
5 the Legislature's intention was to help these
6 municipalities where their fossil fuel plants
7 are closed and municipalities are impacted,
8 and we will be ready to do that.

9 ASSEMBLYMAN SCHIMMINGER: Thank you.
10 You're right on target.

11 And we both recognize that the dollars
12 do not flow from NYSERDA into the fund, which
13 is housed in your agency, UDC/DED. Those
14 dollars do not flow into the fund until this
15 coming fiscal year, and at that point the
16 \$19 million would be available should there
17 be a plant closure or something like a plant
18 closure and a concomitant reduction in
19 property tax or PILOT payment revenues.

20 COMMISSIONER ZEMSKY: Agreed.

21 ASSEMBLYMAN SCHIMMINGER: Yeah. I
22 read the Buffalo News all the time.

23 Tom, are you listening?

24 (Laughter.)

1 ASSEMBLYMAN SCHIMMINGER: Back in
2 2012, the Governor made some comments about a
3 new program. It was a program that came with
4 great expectations. Senator Bonacic has
5 referenced it, the START-UP NY program.

6 COMMISSIONER ZEMSKY: Yeah. Yup.

7 ASSEMBLYMAN SCHIMMINGER: He said, I
8 believe, it is the boldest economic
9 development program for upstate New York
10 ever, period. Then he says "period." This
11 is on a scale that has never been attempted
12 before. So the program has been one of
13 great, great expectations.

14 And last year at this time, at this
15 budget hearing, we would very much have liked
16 to have seen the first annual report for the
17 year -- the first full year, 2014. But that
18 report was not promulgated until after
19 April 1, so we didn't see it. All we have,
20 therefore, now is the 2014 annual report that
21 came out in April of 2015.

22 And in that report it identified that
23 there were 30 companies in the program in
24 2014 and that those 30 companies had created

1 a number of jobs, 76. I know your report is
2 not yet ready for 2015, but are you in a
3 position to be able to tell us something
4 about that small subset, those 30 companies
5 that were in the program back in 2014 that
6 generated the 76 in that year?

7 Have they generated many multiples of
8 that 76 or more than 76? Just those 30
9 companies. Can you tell us that?

10 COMMISSIONER ZEMSKY: Yeah, I haven't
11 brought data by company or subsets. But
12 maybe I can just talk about, you know, the
13 START-UP program for a bit, if you wouldn't
14 mind. Because I think your question also,
15 more broadly, was about the program.

16 But, you know, I've got to be honest
17 with you, I'm a big fan of the START-UP NY
18 program and I have seen it grow dramatically
19 over the past year. And I feel bad that it
20 got off on the wrong foot, because I think
21 this is a great opportunity for New York
22 State. I just do.

23 And I've seen these companies now,
24 150 companies, some of which I'm familiar

1 with -- these companies now have committed
2 literally to thousands of jobs, hundreds of
3 millions of dollars of investment, and
4 importantly, they connect with our
5 institutions of higher learning across the
6 state, both public and private. And I think
7 if you did a business plan for New York
8 State -- and you would have to build, of
9 course, like any good strategic plan, on your
10 assets. And I don't think anyone would
11 disagree that one of our greatest assets are
12 our colleges and universities.

13 So for too long, we lost these
14 businesses, we lost promising companies to
15 other states. We've got a program here to
16 keep these promising companies. Some of
17 these businesses graduate from incubators, so
18 they go into the START-UP NY program. You
19 know, I think you're going to see some of
20 these businesses generate an enormous number
21 of jobs.

22 And I think it's a compelling
23 opportunity for these communities. And we're
24 starting to see it, now 160 up to -- with

1 another 20 in queue. You know, it's a great
2 opportunity for this state to mine -- we're
3 seeing college students get internship
4 opportunities with the businesses. The whole
5 point was to connect the business with a
6 college where their focuses align. So it's
7 naturally a good opportunity for students.

8 And you're seeing academics who
9 resisted the possibility of commercializing
10 their own research consider business and
11 commercialization in ways that they hadn't
12 before.

13 So there are a million reasons why I
14 think this program makes sense, but mostly
15 connecting students, connecting research and
16 connecting industry. It's how Silicon Valley
17 got started. It's all about innovation, it's
18 about entrepreneurship, and it's about
19 planting seeds for the economic future of
20 this state.

21 I don't know which of these businesses
22 are going to be great successes. Many of
23 them won't be great successes, and that's
24 kind of the nature of these. They're many

1 times start-up businesses, and they're
2 entrepreneurs, and they're people who are
3 optimistic. But some of these are going to
4 have thousands of employees. And, I don't
5 know, we've been a state for a couple hundred
6 years without START-UP NY -- let's go a
7 couple of decades with START-UP NY and see
8 what happens. Because I think we are, really
9 are planting seeds with very exciting, very
10 enthusiastic, young, talented people and
11 academic institutions.

12 And I promise you this program will be
13 a success, and it doesn't burden existing
14 businesses in the region. It's really
15 utilizing properties on campuses that are in
16 many ways underutilized. So I like this
17 program. I have a ton of respect for the
18 Governor and the Legislature for approving
19 this program. I do think it's a game changer
20 for New York State, but I think it takes a
21 little bit of time. We didn't even get our
22 first company until halfway -- more than
23 halfway through 2014, and we've got 70
24 colleges and universities in the program now.

1 It is really getting traction.

2 I want to give a lot of credit,
3 frankly, to Leslie Whatley, who has been
4 incredibly tenacious in this program. I
5 think many of you know Leslie and the team at
6 SUNY. This is a program that's worth
7 sticking with, and I think it's worth giving
8 this program the benefit of the doubt. I
9 think it's important.

10 ASSEMBLYMAN SCHIMMINGER: When we see
11 the report that will cover 2015 -- and
12 presumably we'll see that report in April
13 coming -- we will probably see that number
14 you just gave -- I think 140 companies now in
15 the program, or something like that?

16 COMMISSIONER ZEMSKY: Yeah, as we
17 speak right now, I think there's actually
18 over 157 --

19 ASSEMBLYMAN SCHIMMINGER: In the
20 program --

21 COMMISSIONER ZEMSKY: -- as we sit
22 here today. I think by next month it'll
23 probably be 180.

24 ASSEMBLYMAN SCHIMMINGER: Okay.

1 Companies in the program, that's to be
2 contrasted with the number of companies in
3 the program -- 30 in 2014, right?

4 COMMISSIONER ZEMSKY: Yup.

5 ASSEMBLYMAN SCHIMMINGER: It would be
6 instructive to me -- because what we're going
7 to see, then, in this report is we're going
8 see net new jobs created, some of them from
9 these new companies that just came in.

10 COMMISSIONER ZEMSKY: Yup.

11 ASSEMBLYMAN SCHIMMINGER: But what I'm
12 most curious about is to take a look at those
13 incumbent companies that have now a track
14 record in the program.

15 COMMISSIONER ZEMSKY: Yup.

16 ASSEMBLYMAN SCHIMMINGER: They were in
17 the program in 2014.

18 COMMISSIONER ZEMSKY: Yup.

19 ASSEMBLYMAN SCHIMMINGER: I would love
20 to see how that slice of companies that were
21 in the program in 2014 now, going forward
22 into the next year 2015, have grown. That
23 would be very instructive me.

24 COMMISSIONER ZEMSKY: Okay, great.

1 And, you know, I honestly don't know
2 the answer to that question sitting here.
3 I'm telling you I don't know. I mean,
4 these -- you're going to find some of these
5 businesses have done better than they
6 thought. You're going to find some probably
7 haven't done as well as they originally
8 imagined.

9 It's no different than any other
10 business. It generally takes longer and
11 costs more. That's, you know, a lesson I've
12 learned in business for 35 years. Things
13 take a little while and they generally cost
14 more than you think going in.

15 But I've got a lot of respect for
16 these companies and these people, the
17 entrepreneurs. They're really putting it out
18 there on the line, and I think they're
19 working hard to make it happen.

20 CHAIRWOMAN YOUNG: Thank you very
21 much. Thank you, Chairman.

22 So, President Zemsky, first of all I
23 want to personally thank you for always being
24 willing to listen. And you and I have had

1 many discussions about possible economic
2 development projects that would benefit the
3 Southern Tier, Livingston County and the
4 Finger Lakes that are part of my district.
5 So I'd like to thank you for that, and I know
6 you've been in my district many, many times.

7 Assemblyman Schimminger was talking
8 about the fact that he opened the Buffalo
9 News and there was a big article on the front
10 page and his constituents got very excited
11 about it. I have to echo the same words,
12 except it's a different project, and a lot of
13 of my constituents in Chautauqua County were
14 very excited to hear that there's a line item
15 in the Governor's executive proposal that
16 would allocate \$200 million to
17 Chautauqua County.

18 And so I received a lot of questions,
19 and I was wondering if you would be able
20 today to fill them in about what is happening
21 with that line item. They are very anxious
22 to know.

23 COMMISSIONER ZEMSKY: No.

24 CHAIRWOMAN YOUNG: No. Okay, I

1 suspected that might be the answer.

2 COMMISSIONER ZEMSKY: Yeah. No, it
3 hasn't been --

4 CHAIRWOMAN YOUNG: We have seen some
5 information in the newspaper, apparently
6 that's out there.

7 COMMISSIONER ZEMSKY: No, no. No,
8 it's an exciting project. It's -- you know,
9 what I can say, which probably is what you
10 already know, that it's -- I would imagine
11 this is a commercialization center, so it's
12 production-oriented. It would, you know, be
13 in the model of the CNSE SUNY Poly model
14 where the state would own the assets and own
15 the facility and it would be, you know, what
16 I think you would call 21st-century industry
17 and innovation.

18 So I think it would be very exciting
19 for Chautauqua County. I'm not at liberty to
20 say more detail about it, but I share your
21 enthusiasm about it. You know, it's -- we've
22 been able to, I think, leverage the
23 relationships that, you know, nano has
24 developed with leading companies around the

1 world, technology and even life science
2 companies. So I think that will be another
3 example of that. And we should probably stop
4 there.

5 CHAIRWOMAN YOUNG: Very good. So stay
6 tuned, right?

7 COMMISSIONER ZEMSKY: Right.

8 CHAIRWOMAN YOUNG: Got it. I assume
9 it's the same answer for the -- and my
10 colleague wanted me to ask this -- the
11 \$125 million for SUNY Polytech into new
12 colleges of nanoscience in Clinton County.

13 COMMISSIONER ZEMSKY: Correct.

14 CHAIRWOMAN YOUNG: So correct.

15 Okay, thank you. Thank you.

16 So I look forward to working with you
17 in the future as we move this project
18 forward. And I do want to mention just a
19 couple of other things in Western New York,
20 and then I'll move on to my colleagues.

21 During the Transportation hearing this
22 past week there was discussion about finally
23 getting started again, finishing Route 219,
24 which I know you are very familiar with.

1 COMMISSIONER ZEMSKY: Yup.

2 CHAIRWOMAN YOUNG: And I think one of
3 the impediments over the past several years
4 that has stopped progress has been the fact
5 that there was a lack of federal funds
6 available. And now that the federal
7 government has passed transportation funds, I
8 would love to be able to work with you to get
9 this kick-started again.

10 There are several stakeholders, as you
11 know. We've looked at logistics, we've
12 looked at economic development, and there are
13 many, many exciting things happening in
14 Western New York right now. And to have that
15 major north-south route that would go from
16 Toronto, Canada, all the way down to Florida
17 would be phenomenal. And I know that other
18 states are making great progress.

19 And so I just want to bring that up to
20 you, because I think that this is a really
21 great opportunity and would only add to what
22 the Governor and the Legislature has been
23 able to accomplish over the past couple of
24 years regarding economic development in

1 Western New York. So I look forward to
2 working with you on that.

3 COMMISSIONER ZEMSKY: Okay. Thank
4 you, Senator.

5 CHAIRWOMAN YOUNG: Okay, thank you.

6 And finally, I just want to bring up
7 the new forest economy. Thank you for your
8 support on that. We're very excited about
9 that project too, in Allegeny and Cattaraugus
10 counties, and being able to use useful
11 elements of wood products that -- we have
12 many trees, as you know, in the
13 Southern Tier, and be able to build on that
14 to really grow the economy in the Southern
15 Tier also. So thank you for that.

16 Okay. Assemblyman?

17 CHAIRMAN FARRELL: Assemblyman Thiel.

18 ASSEMBLYMAN THIELE: Thank you,
19 Mr. Chairman.

20 And thank you, Commissioner. It's
21 good to see you again today.

22 My focus in my committee is on small
23 businesses. And one of the things that I
24 wanted to just offer today is that when the

1 committee gets rolling here for the year,
2 we'd love to have you come and speak and
3 address the committee and take questions. So
4 hopefully we can get in contact with you and
5 set that up at some point.

6 COMMISSIONER ZEMSKY: Great. I would
7 love to. Yup. Would love to do that.

8 ASSEMBLYMAN THIELE: That'd be great,
9 thank you.

10 Again, you know, focused on small
11 business, I see that one of the Governor's
12 proposals this year is a tax cut for small
13 businesses with regard to either the
14 corporate tax cut or those that pay through
15 the income tax, which I think is certainly a
16 good step.

17 My question, though, relates to
18 property taxes. I'm from Long Island, and I
19 think in the suburbs in general, when I talk
20 with a lot of the people that operate small
21 businesses, like homeowners themselves, it's
22 the property tax that really seems to be the
23 thing that pours cold water on their ability
24 to expand and has an adverse impact on them.

1 Has any thought been given in this
2 budget to looking at possible assistance to
3 small businesses as far as the property tax?

4 COMMISSIONER ZEMSKY: You know, the
5 assistance I think has come primarily in the
6 form of income tax assistance, reduction of
7 tolls, things of that nature. I know for
8 many years now the Governor has identified
9 the property tax as one of the most
10 burdensome taxes on New Yorkers --
11 businesses, individuals. And, you know,
12 hence the property tax cap is a real focus of
13 recent years.

14 I'm familiar with IDAs as vehicles for
15 tax abatements in exchange for investment in
16 plant equipment and job creation. But I
17 think in this year's budget, most of the
18 business assistance is in the form of income
19 tax relief.

20 ASSEMBLYMAN THIELE: And I wanted to
21 also just follow up a little bit on the
22 START-UP NY -- I guess that's certainly a
23 focus here of the Legislature. And, you
24 know, I do understand that a program like

1 this, it takes a while to roll out, it takes
2 a while to see the results. I guess my two
3 questions would be, one, is what -- a
4 constituent comes to me or somebody in my
5 district comes to me and says: How's that
6 START-UP NY program going? What are, from
7 your perspective, the parameters? What are
8 the things that we should be looking at to
9 gauge the success of that investment from a
10 cost benefit point of view?

11 We're investing money in that,
12 certainly, or forgoing revenue as regard to
13 that -- you know, how do we measure
14 ultimately whether it's, you know, two years
15 from now or five years from now and we look
16 back at what's been done -- how do we measure
17 success? What parameters should we be
18 looking at?

19 COMMISSIONER ZEMSKY: You know, we're
20 going to report, of course, on jobs and
21 investment, and that's what we're all
22 interested in. So, you know, I wouldn't
23 really look at it as are we really planting
24 seeds for the future economy. It's got to

1 focus I think on innovation and technology.
2 A lot of the businesses are technology and
3 life science-oriented -- not all of them, but
4 many.

5 And so I would hope and expect to see
6 considerable growth in both jobs and
7 investment. I would hope and expect to see
8 more and more schools engaged in the program.
9 More and more space -- we're up to 5 million
10 feet of space, much of which was
11 underutilized space. And I think we're going
12 to have some real blockbuster next-generation
13 type of businesses come out of the program.
14 So, you know, the same metrics that we use,
15 return on investment.

16 I think we're changing the culture
17 importantly. I think we're changing the
18 culture of academia, students, and industry
19 in some ways that are very important -- and
20 not so easy to measure. But I think it's
21 important to do that in New York State. I
22 think we have a history of losing too many
23 students. Too many of our STEM degrees went
24 elsewhere. We have to provide opportunity

1 for students, we have to provide internship
2 opportunities, we have to plant the seeds of
3 future growth. And I think we'll see
4 additionally, obviously, a lot of employment
5 and capital investment.

6 ASSEMBLYMAN THIELE: Thank you.

7 COMMISSIONER ZEMSKY: Thank you.

8 ASSEMBLYMAN THIELE: Thank you,
9 Mr. Chairman.

10 CHAIRMAN FARRELL: Thank you.

11 Senator?

12 SENATOR KRUEGER: Senator Tim Kennedy.

13 SENATOR KENNEDY: Thank you,
14 Commissioner. It's great to see you here
15 once again. It's always good to see you,
16 whether it's here in Albany or back in
17 Buffalo.

18 I have to just start by thanking you
19 for everything that you've been doing on the
20 economic development front. Your work has
21 just been tremendous. And, you know, I'm
22 sharing in my colleagues' sentiments. You're
23 somebody that is on the ball, is engaged on a
24 very local, grassroots ground level, not

1 afraid to get your hands dirty, and does
2 whatever it takes to be helpful to growing
3 jobs and the economy, from my work with you.
4 So thank you for everything that you've been
5 doing, it's certainly appreciated.

6 COMMISSIONER ZEMSKY: Thank you,
7 Senator.

8 SENATOR KENNEDY: I want to get into
9 the Buffalo Billion a little bit. Can you
10 give us a general update? And I'll save a
11 couple of questions until I hear from you.

12 COMMISSIONER ZEMSKY: Sure. Boy, how
13 long do you want me to talk for on that?

14 SENATOR KENNEDY: You've got about
15 30 seconds.

16 (Laughter.)

17 SENATOR KENNEDY: Just kidding.

18 COMMISSIONER ZEMSKY: Well, almost
19 \$900 million has been committed across the
20 now well-publicized projects. Obviously the
21 Solar City plant at RiverBend is nearing
22 completion. We're actively working on the
23 Workforce Development Center in Northland.
24 Several initiatives downtown around the

1 medical campus, downtown with IBM, with
2 Albany Molecular, Buffalo Manufacturing
3 Works, trying to boost the ecosystem for
4 manufacturers and innovation, really giving
5 small and medium manufacturers the
6 opportunity to really innovate through shared
7 resources.

8 43 North, which is the largest
9 business plan competition in America, has
10 generated a keen interest. We are really
11 starting to seed the pond of innovation in
12 Buffalo, and I can't tell you -- you already
13 know what amazing publicity that program and
14 so many others have gotten for Buffalo in
15 recent years. It's a fabulous story.

16 But the story of the Buffalo
17 turnaround to me is something we should all
18 be very proud of. I think most people would
19 have said, I think most Buffalonians would
20 have said, five years ago, that it was
21 impossible. I have brought a newspaper
22 article that has a headline, \$19.5 billion,
23 the value of investment that has been
24 committed to Buffalo and Western New York.

1 You know, my son was recently, I'm
2 proud to say, interviewed by Katie Couric for
3 Yahoo Finance, and it was a whole story on
4 the Buffalo turnaround. And he has an
5 expression for it, "boomerangs." And he'll
6 tell the story, because really the acid test
7 is what are the 20-year-olds doing, right?
8 Are they staying in town, are they coming
9 back to town? He calls them boomerangs, kids
10 who have left Buffalo and who are coming back
11 to Buffalo, and the young population is
12 growing for the first time.

13 And anyone up here who's from Buffalo
14 or Western New York doesn't need me to sell
15 them on what's happened and what's happening
16 in terms of the economy and the attitude in
17 Buffalo.

18 But we've got almost 900 committed,
19 probably over half of that out the door. The
20 enthusiasm, the focus on revitalization
21 downtown, Canalside, the revitalization of so
22 many neighborhoods -- and it's not just the
23 Buffalo Billion project, it's the whole
24 strategy. The Buffalo Billion strategy is

1 consistent with the REDC Western New York
2 strategy. Everything we do -- Power
3 Proceeds, Excelsior, Buffalo Billion, REDC --
4 it all looks through the same lens, and it
5 all advances that strategic plan.

6 And I think that is why we're seeing
7 so much positive change and the value of that
8 planning and the value of that broad
9 community engagement in the economy. And
10 it's not that I just see it in Buffalo, I see
11 it across the state. I've spent very little
12 time in Buffalo this year, actually. So I
13 hope it's -- you know, I miss it. But it is
14 fabulous to see everyone getting off of the
15 sidelines into the game of economic
16 development, taking a keen interest in our
17 own economic futures.

18 I see that having a positive impact
19 everywhere, but I think it's going really
20 well -- and I'm proud of ESD's role in that.
21 I was proud to be a part of the Western
22 New York Regional Economic Council. I'm
23 proud of the Legislature and the Governor for
24 committing that kind of money to a town that

1 had 40 -- 40 bad years. It's a very
2 different place right now, and it's a
3 wonderful thing to see.

4 SENATOR KENNEDY: Thank you very much.
5 You answered a lot of my questions regarding
6 the Buffalo Billion in that.

7 Let me just switch gears quickly,
8 because I know we're short on time here, and
9 to keep things moving.

10 The Executive Budget -- you know, you
11 talk about the young people staying in town
12 and being able to stay in Western New York.
13 I know a lot of what we've been trying doing
14 is prevent the brain drain, as we refer to
15 it. You know, it was my generation,
16 18-to-35-year-olds, that left by the tens of
17 thousands over those 40 years, and we want to
18 bring them back, including your son.

19 There was a decrease in funding for
20 the Centers of Excellence in the proposal of
21 \$1.3 million. That includes two centers in
22 Buffalo, but this impacts the Centers of
23 Excellence statewide.

24 Do you know if it will have any impact

1 on the local utilization of these centers?
2 And then, you know, just to continue on with
3 the higher ed questioning, and then I'll
4 defer -- you know, the Regional Council has
5 also been working with higher education. Can
6 you just discuss some of the budgetary items
7 that will encourage communities like Buffalo
8 and Western New York to continue this
9 collaborative effort between economic
10 development and higher ed?

11 COMMISSIONER ZEMSKY: You know, what
12 we used to refer to as NYSTAR, funding for
13 that is really quite robust, in total. And I
14 know there's been some -- in some cases,
15 there's a legislative add I believe that has
16 happened in the past, and in some cases we
17 just have some modest cuts because we've
18 added a -- kind of an additional statewide
19 center that has helped to coordinate or
20 helped to bring solutions to bear on behalf
21 of different companies and users.

22 So I think the funding in total, if
23 you look at CATs and COEs and MEPs and
24 hotspots and incubators, is very robust. I

1 feel very confident that we will deliver
2 services, we will be able to help companies,
3 we will be able to do both basic research and
4 applied research.

5 I think what New York State does is
6 fabulous with respect to really providing,
7 you know, this type of support to business,
8 connecting business to industry that way and
9 also funding incubators and hotspots. So if
10 I look at the funding overall, I become very
11 confident that we will provide those services
12 in a very robust, effective way this year.

13 SENATOR KENNEDY: And I had a
14 follow-up question on the higher education/
15 economic development collaboration. Can you
16 just speak to that, please?

17 COMMISSIONER ZEMSKY: You know, one of
18 the things I love about the Regional Council
19 process, to start with, is this very
20 intentional industry heads, academic heads
21 working together. That says a lot right
22 there. Right off the bat, it talks about the
23 integral role and the holistic approach to
24 the economy that has to happen.

1 So, you know, that perspective of
2 academia and industry working together is
3 key. And again, START-UP NY really drives
4 industry and drives academia to work
5 together, I think, in important ways. These
6 Centers of Excellence, the CATs, they're all
7 part of that ecosystem.

8 A lot of the incubators and hotspots
9 connect to colleges and universities. It's a
10 great asset that we have, and the more we can
11 connect the colleges and universities with
12 industry, the better our economy will be.
13 Absolutely.

14 SENATOR KENNEDY: Thank you.

15 CHAIRMAN FARRELL: Thank you.

16 CHAIRWOMAN YOUNG: Thank you, Senator.
17 Assemblyman?

18 CHAIRMAN FARRELL: Assemblyman Walter.

19 ASSEMBLYMAN WALTER: Thank you,
20 Chairman.

21 Mr. Zemsky, thank you for being here
22 today. It's great to see you again.

23 A couple of questions. As the main
24 economic development authority for New York

1 State, have you done anything to reach out to
2 small businesses across the state to
3 understand what impact the Governor's
4 proposed 67 percent increase in the minimum
5 wage is going to have on them?

6 COMMISSIONER ZEMSKY: Well, we've --
7 I've met with business, statewide business
8 entities, and so I would say yes right there.

9 And of course, you know, we
10 are throughout, ESD is present throughout the
11 state. We're interacting with business all
12 the time. We have offices in every single
13 region of the state, so people don't have a
14 hard time finding us, and we are very eager
15 and very active in the business community, as
16 you would imagine.

17 ASSEMBLYMAN WALTER: Well, the Empire
18 Center has reported, and similar studies by
19 Cornell and the Congressional Budget Office,
20 that the \$15-an-hour minimum wage could cost
21 as many as 200,000 low-income jobs throughout
22 New York State.

23 In upstate New York, Western New York,
24 where the average wage is only a little over

1 \$16 an hour, won't that be working against
2 all of the efforts that you're making through
3 Empire State Development?

4 COMMISSIONER ZEMSKY: You know, one of
5 the things I think you have to keep in mind
6 is -- and this gets lost in the discussion
7 sometimes -- that this is intended to be
8 phased in over many years. So this is like
9 phased in over the next five and a half
10 years, I believe, is what the proposal is.

11 You know, the minimum wage hasn't done
12 a good job over a long period of time of
13 keeping up with inflation. I think we
14 recognize that. It's very, very hard to
15 support yourself, let alone a family on the
16 minimum wage, and a lot of people actually
17 are working at minimum-wage jobs and then
18 qualify for assistance because it's -- you
19 know you're still in a poverty situation,
20 which is not really what the idea of working
21 was all about to begin with.

22 So there are a lot of folks that would
23 be helped by the minimum wage. The economy
24 has been great for investors for a long time.

1 It hasn't been as great for workers for now a
2 long time. I think the idea is to give
3 people an opportunity. Those folks, and
4 there are millions of them whose wages would
5 be lifted from this proposal, will
6 realistically spend almost all of that money
7 in the local economy.

8 So I think there's a lot to be said
9 for lifting people out of poverty, giving
10 people an opportunity to work their way out
11 of poverty. You shouldn't be working
12 full-time like that and have such a difficult
13 time supporting yourself or your family.

14 I think the additional spending will
15 be good for the economy. This is phased in
16 over many years. You know, every time
17 there's a minimum wage discussion, there's
18 always debate. I get that reasonable people
19 can differ on this, of course -- there's
20 going to be opposing views. Every time
21 there's been a minimum wage debate, there's
22 always lots of dire predicted consequences.

23 Our economy is doing well, but it's
24 not doing well for everybody. And, you know,

1 I think it's high time we recognize that
2 there's been a great increase in the
3 disparity of wages and people have really
4 struggled in many ways for a long time. So I
5 think it's fair. I think it's reasonable. I
6 think it's doable over six years upstate.
7 And I think reasonable people can differ on
8 that subject.

9 ASSEMBLYMAN WALTER: Well, I think
10 it's certainly up for debate whether or not
11 it would have a positive impact on those that
12 are struggling in the economy and may have a
13 negative effect, so ...

14 As far as regulations in New York
15 State, the Senate coalition did a 2013
16 regulatory reform report. They estimated
17 that New York State regulations -- about
18 \$274 billion, our cost -- cost New York
19 State. That's about a quarter of the state's
20 economy.

21 What impact can you have on addressing
22 some of those burdensome regulations that
23 really -- you know, we hear time and time
24 again, from the Tax Foundation or whatever,

1 New York's one of the least friendly places
2 to do business in the nation.

3 COMMISSIONER ZEMSKY: Yeah, and you
4 know there are a variety of different types
5 of regulation, so it really depends on which
6 ones you're referring to. Certainly there's
7 probably many regulations you wouldn't want
8 reduced at all.

9 So what I've seen is there are some
10 industries where we've reduced regulation,
11 and the craft beverage industry, for example,
12 is one obvious example where we've, you know,
13 rolled back some kind of silly, outdated
14 Liquor Authority regulations and have cleared
15 the way for entrepreneurship and investment,
16 and those industries have boomed.

17 So we are all about economic growth,
18 Assemblyman. I'm only doing this job for one
19 reason: I would love to see that kind of
20 growth happen in all industries, all across
21 the state. So I am keenly interested in
22 meeting with -- and using craft beverages as
23 an example -- any industries or any people
24 that feel like New York is in their way in

1 terms of creating investment and creating
2 jobs with regulations that are outdated or
3 superfluous or what have you. We are
4 interested in meeting and talking.

5 I don't think these regulations are
6 set in concrete, but it's very difficult to
7 just talk about regulations as a whole.
8 There is health regulations and life safety
9 regulations and worker protections and, you
10 know, there's a number of regulations. So
11 the question is which ones are standing in
12 people's way. I'm interested in, you know,
13 participating in that discussion. And if we
14 can develop, you know, changes in regulations
15 that will help those industries grow and
16 don't have, you know, profound negative
17 consequences on the environment or people's
18 safety or health, I think we are all for it.
19 We are for it.

20 ASSEMBLYMAN WALTER: Good. Just one
21 thing I wanted to touch on. There's been
22 some controversy and perhaps an investigation
23 going on into the way that some of the
24 Buffalo Billion contracts have been awarded.

1 COMMISSIONER ZEMSKY: Uh-huh.

2 ASSEMBLYMAN WALTER: I know that you
3 were talking about another \$200 million for
4 SUNY PI and Chautauqua County, \$125 million
5 in Clinton County, as was referenced before.
6 Are we doing anything to change the way that
7 those type of programs are awarded or
8 contracted with the people who are doing the
9 work?

10 COMMISSIONER ZEMSKY: You know, we are
11 of course meeting all of our fiduciary
12 responsibilities with respect to any ESD
13 contract that it has. So I'm very
14 comfortable and very confident that ESD has
15 been a very good steward of the public trust
16 and public dollars in that respect, so I
17 don't see us changing that.

18 We are of course answering any
19 questions that any inquiring bodies may have
20 and are participating fully. And we'll go
21 from there. But I think there's a lot of
22 good opportunity ahead for these projects for
23 Chautauqua County and Clinton County, and I
24 think, you know, it's to be determined what

1 the findings are.

2 ASSEMBLYMAN WALTER: So you're
3 comfortable with your policies and procedures
4 now and you don't think they need to be
5 changed?

6 COMMISSIONER ZEMSKY: What's that?

7 ASSEMBLYMAN WALTER: So you're
8 comfortable with the policies and procedures
9 as they are now, and you don't anticipate
10 making any changes going forward?

11 COMMISSIONER ZEMSKY: Well, I'm very
12 comfortable with it -- of course, I am the
13 president of Empire State Development, and I
14 can speak for Empire State Development. And
15 I'm very comfortable and confident in the
16 procedures -- it's the only agency in the
17 State of New York, the only entity that I can
18 speak to, and I assume you're asking me about
19 Empire State Development's policies and
20 procedures.

21 ASSEMBLYMAN WALTER: Right. Okay.

22 COMMISSIONER ZEMSKY: And I'm
23 extremely confident and proud of them as they
24 are.

1 ASSEMBLYMAN WALTER: Great. Thank
2 you.

3 CHAIRMAN FARRELL: Thank you.
4 Senator?

5 CHAIRWOMAN YOUNG: Thank you very
6 much. Our next speaker is Senator Liz
7 Krueger.

8 SENATOR KRUEGER: Hi, Mr. Zemsky.

9 So I was very pleased to hear your
10 presentation and all the good work we're
11 doing. My concern is for people, even here
12 in the audience, it's hard to actually prove
13 it. It's hard to find all the data in any
14 one place. You and I have had that
15 conversation.

16 You've explained ESDC puts its
17 information up on its website, and I spent
18 some time since our last conversation looking
19 through that. But of course, we learn that
20 so much of the economic development money
21 doesn't necessarily go through ESDC, and yet
22 it's out there. And how are we evaluating,
23 looking at all of it, and looking at what
24 kind of metrics are being used to determine

1 whether things are going well or not?

2 So it turns out there's a variety of
3 different models being used around the
4 country. There's Wisconsin, Florida, and
5 Indiana having single databases bringing
6 together a range of subsidies throughout
7 their state governments into one database.
8 You and I had talked about how valuable that
9 would be, so I would happily refer you to
10 those three states.

11 Illinois, North Carolina, Maryland,
12 Florida, and Indiana all have a much more
13 user-friendly model for drawing down the
14 information, downloadability, the ability to
15 combine various data into one site. So I'm
16 hoping you're going to answer me: Yes,
17 Senator Krueger, that's what we're going to
18 try to do now.

19 COMMISSIONER ZEMSKY: I'm not, of
20 course, familiar with exactly what Florida --
21 what their procedures are. But let me say a
22 few things.

23 You know, ESD, we are active,
24 obviously, with the Regional Councils. And I

1 think one of the things that New York State
2 does that none of these states do is what I
3 would describe as regional economic
4 development. So I think we're really the
5 progressive state.

6 I mean, I want to say that up front.
7 And I've spoken with Brookings, and I've
8 spoken with many others. What New York State
9 does is the most progressive form of economic
10 development, to my way of thinking. Period,
11 end of discussion. That's my opinion.

12 I think we have brought an incredibly
13 collaborative, strategic, robust approach to
14 economic development and we have created a
15 lens through which -- a strategic lens
16 through which all of these state programs are
17 reviewed. And we didn't create a lot of
18 these state programs, but the Regional
19 Councils, through their strategies and the
20 involvement of all these volunteers, frankly
21 have really, I think, done a good job of
22 identifying and prioritizing the types of
23 projects that advance the strategy.

24 So there are now, through these

1 REDCs -- and, you know, the REDC priority
2 projects are on our web -- are on the
3 Regional Council website. And all of the CFA
4 projects are on the website; you can find all
5 of the CFA projects on the website. Some of
6 them are -- and keeping in mind these are all
7 projects that come through the lens of the
8 REDC but then go out to the state agencies.

9 The REDC does not take the place of
10 the state agency, and the REDC doesn't even
11 have any statutory responsibility to make
12 decisions. It just makes recommendations
13 that go on to the state agency.

14 All those state agencies have programs
15 and rules and regulations and reporting
16 requirements that they follow. So would it
17 be possible to take some of the state agency
18 information and aggregate it, maybe in a more
19 robust way? I think we can and should look
20 at that.

21 But there is a lot of information,
22 it's difficult to always know -- you know,
23 there are some projects that get approved
24 this week, maybe they're done in a year,

1 maybe they're more complicated construction
2 projects, they're not done for two and a half
3 years. You get the permits, if it's in
4 New York City it might take even longer -- so
5 I think we can look at it, making a more
6 robust website.

7 But I am -- I think that at the core
8 our economic development is regional and is
9 strategic and I think it's improved, I think
10 we have a ton of more information than we
11 ever used to as New York State on these
12 projects. I think these regions -- here is
13 New York City's regional report this year
14 (holding up document) -- do an amazing job.
15 These are also online.

16 They do an amazing job of laying out
17 their strategy, laying out the progress of
18 their projects, laying out metrics for their
19 metropolitan areas, and different -- and it
20 is true that different areas have different
21 things they're measuring.

22 In Long Island I know they're very
23 concerned about the cost of housing and young
24 people are leaving because the cost of

1 housing, so they probably spend more time
2 measuring housing costs and, you know,
3 projects that provide more affordable
4 housing. In Buffalo, everything is
5 affordable. So we are measuring different
6 things, and we're focused on different things
7 strategically, but in everything we do
8 there's room for improvement.

9 But I think the amount of information
10 on these websites, through these regional
11 reports, which are really extraordinary
12 documents, and through the CFAs, are -- at
13 least hopefully we'd all acknowledge --
14 dramatically more information than we had
15 only a few years ago.

16 SENATOR KRUEGER: So does it have the
17 analysis of what metrics you're using to
18 determine the cost-benefit analysis of each
19 project?

20 COMMISSIONER ZEMSKY: You know --

21 SENATOR KRUEGER: Is that on the
22 website?

23 COMMISSIONER ZEMSKY: Yeah, every --
24 there's so many different types of projects.

1 SENATOR KRUEGER: No, but each project
2 would have its own metric for how you
3 evaluate it, whether you gave them the deal
4 or not --

5 COMMISSIONER ZEMSKY: So, like --

6 SENATOR KRUEGER: -- and in theory
7 have analyses of how much you're spending for
8 new jobs on each project --

9 COMMISSIONER ZEMSKY: Well --

10 SENATOR KRUEGER: -- for retention of
11 jobs on each project. Is that all available
12 in those referenced reports?

13 COMMISSIONER ZEMSKY: I think in a
14 general sense it is, in terms of the way it
15 aligns with the strategy.

16 So for example, on an Excelsior tax
17 credit project is a very clear metric around
18 investment and job creation. And that would
19 be like an ESD type of project; that's very
20 straightforward.

21 But then you have projects like, you
22 know, activating the waterfront and
23 place-based investments that have really
24 proved to be very successful. I mean, we've

1 seen this in other parts of the state, and
2 certainly in Western New York, where creating
3 vitality and activating the waterfront and
4 bringing the public out is an important
5 component I think of economic development,
6 but maybe more difficult to measure in terms
7 of jobs.

8 But I think all those types of why
9 those projects are supported, why they
10 receive money, for the first time in a very
11 long time all connect back to a very clear
12 strategy. So I think the strategy is
13 extremely clear, and I think it's for the
14 first time really easy to determine why was a
15 project supported and how does it connect to
16 a strategy. We never had a strategy before.

17 But some of the metrics, I admit, are
18 more difficult. And that has to do with, you
19 know, how do you connect waterfront
20 development to job creation, or any number --
21 that's just one example. There are so many
22 examples of projects like that.

23 If I talk about walkable downtowns, do
24 you think -- you know, how do I measure

1 walkable downtowns in terms of economic
2 impact exactly. I can measure it in terms of
3 how the region is doing, and we do, but there
4 are project-by-project -- as you start to
5 drill down, it becomes more fuzzy, it becomes
6 fuzzier in some ways to connect to a metric
7 like jobs.

8 SENATOR KRUEGER: My time is up, so I
9 will defer to another round. Thank you.

10 CHAIRWOMAN YOUNG: Thank you.

11 CHAIRMAN FARRELL: Thank you very
12 much.

13 Assemblyman Gary Pretlow.

14 ASSEMBLYMAN PRETLOW: Thank you,
15 Mr. Chairman.

16 And good afternoon, Mr. Commissioner.

17 I guess that some of my questions are
18 similar to Senator Krueger's. Since its
19 inception, the Regional Economic Development
20 Councils have spent approximately \$3 billion.
21 Can you tell me, plus or minus 5 percent, I
22 guess, how many new jobs have been created in
23 that period?

24 COMMISSIONER ZEMSKY: Well, we know

1 that the projects have leveraged considerable
2 investment of \$22 billion, 200,000 --

3 ASSEMBLYMAN PRETLOW: But one of the
4 purposes was for job creation.

5 COMMISSIONER ZEMSKY: Yes, 200,000.

6 ASSEMBLYMAN PRETLOW: Do you know
7 about how many jobs were created in the 1600
8 or so projects that were done?

9 COMMISSIONER ZEMSKY: Yeah. And so
10 approximately 200,000.

11 ASSEMBLYMAN PRETLOW: Two hundred
12 thousand jobs? And how many retained?

13 COMMISSIONER ZEMSKY: I think that's
14 created and retained.

15 ASSEMBLYMAN PRETLOW: So 200,000
16 retained and created, so a total of 200,000.

17 COMMISSIONER ZEMSKY: Yeah. And then
18 of course the Excelsior tax credits and other
19 projects like that are on top of that. So we
20 have some Excelsior credits in REDC process,
21 but then there's also additional business
22 development projects on top of that.

23 ASSEMBLYMAN PRETLOW: So each job, if
24 my math is right, cost us about \$300,000.

1 And you wouldn't know the average salaries of
2 these jobs?

3 COMMISSIONER ZEMSKY: Well, the --

4 ASSEMBLYMAN PRETLOW: Because I'm just
5 trying to see the cost-effectiveness. If we
6 created 200,000 jobs that cost us \$300,000 a
7 job and the average salary was, say,
8 \$100,000 -- even though I know it isn't --
9 the tax on that is \$7,000, so it'd take us
10 maybe 40 years to break even. That was my
11 point.

12 COMMISSIONER ZEMSKY: The REDCs are
13 the collection of all state agencies. It's
14 every state agency. It's Housing and
15 Community Renewal --

16 ASSEMBLYMAN PRETLOW: I understand
17 that's an issue --

18 COMMISSIONER ZEMSKY: -- it's the
19 Department of State, it's -- you know, it's
20 not just ESD, it's very broad. So we're
21 trying to take all these projects through a
22 lens that advances a strategic vision for the
23 region.

24 Not every one of those projects is

1 a -- HCR is not really as focused on job
2 creation, I would say. So we're taking CFAs
3 from every state agency -- we're talking
4 about 4,000 projects, but they're not ESD
5 projects. By and large, the vast majority
6 are not ESD projects, they're other --
7 they're state agency projects.

8 ASSEMBLYMAN PRETLOW: And the I Love
9 New York campaign, we're spending around
10 \$60 million in advertising. My real question
11 is, why do we do so much intrastate
12 advertising? I see more commercials -- I
13 live in Westchester County -- I see more
14 commercials of "Visit Manhattan" and, you
15 know, it's -- I know you pay for eyes, and I
16 know part of that market is New Jersey and
17 Connecticut and the surrounding areas --

18 COMMISSIONER ZEMSKY: Sure.

19 ASSEMBLYMAN PRETLOW: -- but even up
20 here -- I guess we can consider this upstate
21 New York -- I see "Visit Howe Caverns" and
22 things, and there are not too many people
23 that don't know Howe Caverns exists that are
24 up here.

1 And my question just is could that
2 money be better spent in California or in --
3 maybe getting some of the crazies from Idaho,
4 Iowa, to come to New York and see how real
5 people live.

6 COMMISSIONER ZEMSKY: I mean, we have
7 an amazing -- I couldn't say enough good
8 things about our tourism group and the
9 tourism economy here in New York State.

10 ASSEMBLYMAN PRETLOW: Well, I know,
11 tourism is going great. But I'm just saying,
12 couldn't our money be better spent out of
13 state?

14 COMMISSIONER ZEMSKY: Well, I'd -- I
15 just --

16 ASSEMBLYMAN PRETLOW: We have a huge
17 number of tourists coming to New York right
18 now.

19 COMMISSIONER ZEMSKY: We're -- and
20 we're -- so we're advertising to New Yorkers
21 to say what you can do across the state, and
22 we're advertising to folks outside of
23 New York. And New York is the number-one
24 destination for international travelers. And

1 we have hundreds of millions of visits,
2 visitations a year, and the tourism economy
3 is growing incredibly rapidly. It's now a
4 \$100 billion economic impact. So I take my
5 hat off to our tourism group for the way
6 they've been marketing tourism in this state.

7 We continue to grow jobs at well over
8 5 percent a year. We are far exceeding the
9 metrics of any other state in terms of its
10 tourism growth. I think we're doing a
11 fabulous job on promoting tourism. I think
12 it's a great return for the investment.

13 New York State is really our fourth-
14 leading employment sector. Tourism is
15 extraordinary business for New York, and if
16 you think about the assets we have in this
17 state, from outdoor adventure tourism to
18 cultural tourism and everything in between,
19 you know, it makes sense that we would spend
20 mightily on tourism. And we've grown that
21 industry in ways that I think are extremely
22 impressive. I think we are the envy of most
23 states in terms of how our tourism economy
24 is --

1 ASSEMBLYMAN PRETLOW: I don't disagree
2 with any of that. My question, though, was
3 could we increase that even more if we
4 advertise more out of state to get
5 out-of-state people to come to New York
6 rather than to convince New Yorkers to stay
7 in New York and see New York. That was my
8 question.

9 I know -- I have no problem with the
10 tourism industry. I know it's going --

11 COMMISSIONER ZEMSKY: Oh sure,
12 maybe -- I mean, yeah --

13 ASSEMBLYMAN PRETLOW: --
14 fantastically.

15 COMMISSIONER ZEMSKY: Yeah,
16 potentially. But we do spend a lot of
17 money -- I mean, I have to again -- I've got
18 a team of people at ESD, I think, who do a
19 great job, and our marketing folks and our
20 tourism folks are topnotch. And so finding
21 that balance between where do we spend -- we
22 don't want folks going to Pennsylvania for a
23 vacation, or Ohio or Connecticut, we want to
24 remind people -- it's like any business, you

1 have to have top-of-mind awareness and, you
2 know, remind people of the things that there
3 are to do.

4 And of course, there's more and more
5 to do in New York all the time. So I think
6 we want to remind people, hey, you're
7 thinking about a vacation getaway? Don't
8 forget we have this here in New York State.
9 Or maybe you haven't been thinking about it,
10 but --

11 ASSEMBLYMAN PRETLOW: It makes sense.
12 Okay.

13 COMMISSIONER ZEMSKY: -- now you need
14 to take a vacation.

15 So, you know, we're promoting the
16 economy, we're promoting outside of New York
17 and we're promoting it inside New York. And
18 I think, you know, we're leaving it to our ad
19 and tourism folks to kind of find the right
20 balance. But so far it feels like it's
21 working.

22 ASSEMBLYMAN PRETLOW: And the
23 celebrities that do those commercials, do
24 they do it pro bono or gratis or for free

1 publicity, or do we pay --

2 COMMISSIONER ZEMSKY: I believe they
3 do. I know -- I think Rhoda in our ESD
4 office is always twisting arms to get them to
5 do it, and I think many of them, if not all
6 of them, are on a pro-bono basis. But -- I
7 can't speak with certainty, but I know many
8 of them are.

9 ASSEMBLYMAN PRETLOW: Thank you.

10 COMMISSIONER ZEMSKY: Thank you.

11 CHAIRWOMAN YOUNG: Thank you very
12 much.

13 CHAIRMAN FARRELL: Senator?

14 CHAIRWOMAN YOUNG: Yes, thank you.

15 President Zemsky, I just had a few
16 more specifics about the Governor's proposal
17 that I wanted to ask you about.

18 In the 2017 Executive Budget, it would
19 authorize \$85 million in settlement funds for
20 services and expenses, loans, grants, and
21 costs associated with economic development
22 and infrastructure. And I was wondering if
23 you'd be able to give us a little bit more
24 information on how those funds would be

1 spent.

2 COMMISSIONER ZEMSKY: You know, it's
3 been an interesting year. It would be spent
4 on business attraction, business retention,
5 and business opportunity. I found myself
6 unexpectedly spending time this year in
7 places like -- with companies like
8 Kraft Heinz, and in Massena with Alcoa, and
9 other circumstances that present themselves.
10 So it's for economic infrastructure, it's not
11 necessarily a hundred percent committed to
12 ESD.

13 But depending on how DOB allocates it,
14 it's possible that we could use it at ESD. I
15 just think it's important to recognize that
16 there are contingencies. We need some
17 contingencies, we need to be able to respond,
18 from time to time, to circumstances that were
19 unexpected. So I think it's to traditional
20 economic development objectives and trying to
21 address circumstances that present themselves
22 from time to time.

23 But it's not -- I don't believe it's
24 necessarily fully committed to ESD.

1 CHAIRWOMAN YOUNG: Okay, I see. So
2 it's more of a contingency fund and it's not
3 programmed right now, but it's there to be
4 responsive to economic development needs that
5 may arise or other needs. Is that basically
6 it?

7 COMMISSIONER ZEMSKY: I think that's a
8 fair way to characterize it.

9 CHAIRWOMAN YOUNG: Okay. Thank you,
10 President.

11 I had a couple of other questions. I
12 wanted to talk about the MWBE program. And I
13 was wondering, how many MWBE applications do
14 you receive in a year? Could you roughly
15 give us a figure?

16 COMMISSIONER ZEMSKY: Thousands.

17 CHAIRWOMAN YOUNG: Thousands?

18 COMMISSIONER ZEMSKY: Yes.

19 CHAIRWOMAN YOUNG: Okay.

20 COMMISSIONER ZEMSKY: Literally
21 thousands --

22 CHAIRWOMAN YOUNG: Literally
23 thousands.

24 COMMISSIONER ZEMSKY: We receive many

1 hundreds a month.

2 CHAIRWOMAN YOUNG: And what is the
3 usual time frame for approving an MWBE
4 application?

5 COMMISSIONER ZEMSKY: You know, the
6 accurate answer is it depends. And it
7 depends, in a sense, on the back-and-forth --
8 you know, there's an application process, we
9 need a lot of information. Sometimes we get
10 the information quickly, sometimes the
11 back-and-forth is slower. By the time we get
12 all the information that's required, it's
13 about 90 days.

14 CHAIRWOMAN YOUNG: About 90 days.

15 COMMISSIONER ZEMSKY: But it does --
16 there is a variety there. And this is a
17 program, you know, that has grown
18 tremendously. I have to say again, to
19 Lourdes and her group, this has been amazing,
20 to see -- I think we have a thousand new
21 certified firms in the past year, 3500 in the
22 last few years.

23 And as the goals increase and as our
24 marketing of the program increases, the

1 interest in the program increases and we're
2 also doing a better job streamlining the
3 process, putting significant parts of the
4 process online, we're doing a better job
5 connecting MWBEs with state opportunities.

6 So we have streamlined it, the state
7 procedures have helped us streamline it. But
8 it is a tsunami of applications that come in.
9 And we now have eight more people this year
10 than we did last year, and I think they're
11 doing a great job working hard to keep up
12 with it.

13 CHAIRWOMAN YOUNG: Thank you for that.

14 And I was wondering about how many,
15 roughly, would be rejected, also, and what
16 are the primary reasons why an application
17 may be rejected.

18 COMMISSIONER ZEMSKY: I think about --
19 I can't remember, about half are rejected; it
20 might be somewhere between 40 and 60 percent.
21 There are a number of potential reasons. And
22 again, we have to -- there's a lot of reasons
23 why there's tight controls on MWBE.

24 It might be issues of control in terms

1 of, you know, you have to have not just shown
2 on paper that you're an owner, but you also
3 have to show that you control the business,
4 that you have voting control, not just
5 ownership control. And so there are
6 issues -- there are --

7 CHAIRWOMAN YOUNG: So maybe not
8 fulfilling the requirements of the program in
9 order to qualify, is what you're saying.

10 COMMISSIONER ZEMSKY: Yes. Exactly.

11 CHAIRWOMAN YOUNG: Yes. Okay.

12 And do you have any kind of data or
13 information on how the funding is being
14 utilized, on the effectiveness of the
15 program? Is there any kind of report out
16 there that we could look to? Because I think
17 that the Legislature would be very interested
18 in having some kind of report or information
19 on it.

20 COMMISSIONER ZEMSKY: Yes. We I think
21 have amazing -- and I do believe we report on
22 it -- we do have amazing utilization, it's
23 now up to, I think, almost -- our MWBE goals,
24 the Governor's MWBE goals are 30 percent. I

1 believe we've been at about 23 percent most
2 recently.

3 So that has grown considerably. And I
4 will get back to you with the specific
5 information on it --

6 CHAIRWOMAN YOUNG: Thank you very
7 much, President. I really appreciate it.

8 COMMISSIONER ZEMSKY: -- the progress,
9 in a report.

10 CHAIRWOMAN YOUNG: I know you just
11 brought up the 30 percent figure, and I was
12 wondering, is ESDC requiring every applicant
13 to utilize 30 percent of MWBE subcontractors
14 or vendors, is that the current requirement?
15 Or is that something aspirational that the
16 Governor would like to see happen?

17 COMMISSIONER ZEMSKY: It's a goal
18 and -- it's a goal. So some projects can
19 exceed it, some projects can't meet it, but
20 it's a goal for the program. And it varies
21 by project.

22 CHAIRWOMAN YOUNG: Does ESDC take into
23 consideration the region when applying for
24 the 30 percent goal? Because as you know,

1 for example, in some areas there may be a
2 higher concentration of MWBE businesses while
3 there may not be in others. And I have had
4 some businesses concerned -- maybe projects
5 were going to occur and then they have to go
6 across the state to another region to find
7 these companies, and then as a result local
8 people seem to be shut out of the process.
9 So could you address that, please?

10 COMMISSIONER ZEMSKY: You know --
11 look, the disparity study is really what the
12 MWBE process and rules and law is based on.
13 And so we're trying to give opportunity where
14 there was a lack of opportunity for people.
15 And so the idea is if you're an MWBE firm and
16 you're able to provide that service out of
17 your home market, then you should have the
18 opportunity to do so.

19 There's lots of businesses in New York
20 State that do business in different regions
21 of the state, so we won't want to -- we don't
22 want to preclude MWBE firms in one part of
23 the state from improving services in another
24 part of the state. I think that's

1 reasonable.

2 There just -- there are times and
3 circumstances where, you know, the service
4 that you're looking for doesn't have an MWBE
5 supplier or suppliers that can provide that
6 service in that location at that time, for
7 whatever series of reasons, so -- clearly
8 there are waivers, that does happen. But we
9 try to give MWBEs -- that's the point of the
10 program -- the opportunity to participate
11 throughout the regions of the state.

12 CHAIRWOMAN YOUNG: Thank you very much
13 for that answer.

14 And so the latest disparity study is
15 due on August 15th, I believe, of this year.
16 And so we look forward to that information.

17 I did want to ask about the Security
18 Through Advanced Research and Technology, the
19 START program. And under the Executive
20 proposal he's recommending \$6 million in
21 funding, and that's an increase of
22 approximately \$1.4 million over 2016. So
23 could you give us a little overview of the
24 START program and explain why the additional

1 funding is necessary?

2 COMMISSIONER ZEMSKY: It's a program
3 where the state increases the likelihood that
4 maybe a research institution, university, or
5 other would land federal funds. So there are
6 times when, in order to get the federal
7 money, you need to show state support. And
8 so to some extent, the increase here is a
9 reflection on the success of the program.

10 We think that we have more and more
11 opportunities to leverage state money to
12 bring in federal research money, and that's
13 why it's increased.

14 CHAIRWOMAN YOUNG: I see. Thank you
15 for that answer.

16 I would like to -- Assembly? I know
17 they've been joined by several new members
18 who have come today, so --

19 ASSEMBLYMAN OAKS: Yes, we've been
20 joined by Assemblyman McLaughlin and
21 Assemblyman Mosley.

22 CHAIRWOMAN YOUNG: And?

23 ASSEMBLYMAN SCHIMMINGER:
24 Schimminger's the name.

1 ASSEMBLYMAN OAKS: Mr. Schimminger,
2 would you like to ask some questions?

3 ASSEMBLYMAN SCHIMMINGER: Yeah.

4 Unlike my previous questions, where I
5 had the opportunity to present a Buffalo News
6 article, hold it up, I don't have such an
7 article here.

8 But I do have somebody we both know,
9 Ben Rand, who runs a program --

10 COMMISSIONER ZEMSKY: Yup.

11 ASSEMBLYMAN SCHIMMINGER: -- in
12 Western New York called Insight Consulting,
13 which is one of the 10 technology development
14 organizations that exist and have existed for
15 a long, long time across New York State.
16 They are funded by the state.

17 They've seen cuts. And I dug around
18 since the past fall encounter we had about
19 this, and it seems as though there's a new
20 entity that has been inserted into the
21 funding mix called FuzeHub. FuzeHub is
22 drawing a great deal of money away from the
23 program, resulting in cuts to entities in the
24 TDO program like Insight Consulting. So

1 we're getting complaints.

2 And as recently as yesterday I got a
3 letter -- I have a prop -- from the Brooklyn
4 borough president -- you're familiar with
5 Brooklyn? Brooklyn.

6 COMMISSIONER ZEMSKY: Born there.

7 ASSEMBLYMAN SCHIMMINGER: Born there?
8 You were born there?

9 COMMISSIONER ZEMSKY: Yup. I am.

10 ASSEMBLYMAN SCHIMMINGER: -- your home
11 borough president, Eric Adams, complaining
12 about a cut to the ITAC entity, ITAC TDO down
13 in New York City.

14 What can I tell the likes of Ben Rand
15 and Brooklyn Borough President Eric Adams
16 about what's happening? These long-standing
17 technology development organizations which
18 assist small and medium-sized businesses,
19 proven track record, are seeing reduced
20 funding. What can we tell them?

21 COMMISSIONER ZEMSKY: Yeah. By and
22 large, the -- you know, we do work with the
23 National Institute of Manufacturing
24 Technology. And we do follow guidelines.

1 We -- ESD is awarded this contract from the
2 federal government on behalf of the State of
3 New York.

4 There is a competitive process, and
5 all of these things -- so many of them,
6 whether it's, you know, the CATs or the MEPS,
7 there are competitive forces at work and
8 there is peer review and we are following
9 guidelines. And yes, we've put in what we
10 call FuzeHub, which has really had a very
11 modest impact on these budgets for these
12 different MEPS. But the point is that I
13 think we are bringing resources to bear for
14 the companies that are being serviced by
15 them.

16 And I would -- you know, all I can say
17 is we're following guidelines, we are trying
18 to do the best that we can to help support
19 the manufacturing community through these
20 organizations. It is a competitive process.
21 Not everybody gets the same amount of money
22 all the time. Some MEPS lose their
23 designations. So it does -- it's dynamic,
24 it's somewhat competitive, but we are focused

1 on providing the service and I think that
2 FuzeHub provides -- brings a lot of expertise
3 from around the state in different specialty
4 areas to bear on behalf of every manufacturer
5 or every potential client.

6 So there is some sense to -- some
7 method to the madness in terms of bringing
8 specialty areas to bear throughout the state.

9 ASSEMBLYMAN SCHIMMINGER: I'll let
10 them know of your expression of concern.

11 One point, however -- you referenced a
12 modest reduction in funding. In Brooklyn,
13 New York City, the ITech program says that it
14 has experienced a 54 percent cut in funding.
15 That's perhaps comparable to the others.

16 COMMISSIONER ZEMSKY: Yup. And
17 they're, you know -- understood.

18 ASSEMBLYMAN SCHIMMINGER: Okay.

19 Done.

20 CHAIRMAN FARRELL: Thank you.

21 CHAIRWOMAN YOUNG: Thank you.

22 Senator Krueger?

23 SENATOR KRUEGER: Thank you. We'll
24 try to make this a little more lightning

1 round --

2 COMMISSIONER ZEMSKY: What?

3 SENATOR KRUEGER: -- so you can get
4 the questions -- the answers more quickly.

5 COMMISSIONER ZEMSKY: Oh. Okay.

6 SENATOR KRUEGER: Okay? So in answer
7 to a previous Assemblymember you talked about
8 200,000 jobs created and retained. In 2013,
9 ESDC reported you had programs that helped
10 retain 12,355 jobs and reported that 2,424
11 other jobs were created with your assistance.

12 How did we leap to 200,000 a year
13 later? And if it's because it's all the
14 other programs in the State of New York,
15 where would I find that master list?

16 COMMISSIONER ZEMSKY: Oh, I'm sorry.
17 It's the REDC process from its inception.
18 So --

19 SENATOR KRUEGER: Since its inception.

20 COMMISSIONER ZEMSKY: It's 10 years.

21 SENATOR KRUEGER: And so there's a
22 master list that I can -- and others can go
23 to somewhere that adds up to 200,000?

24 COMMISSIONER ZEMSKY: I mean,

1 obviously 200,000 is an estimate, and I
2 believe that's, you know, jobs, direct jobs,
3 indirect jobs. But yeah, we can provide
4 that.

5 SENATOR KRUEGER: You can pull that?
6 I would appreciate getting that. I think we
7 all would.

8 COMMISSIONER ZEMSKY: Sure.

9 SENATOR KRUEGER: Thank you.

10 Then also in 2014, ESDC, which is a
11 financing vehicle for debt as well as a
12 distributor of money, its outstanding debt
13 totalled more than \$10.7 billion for the
14 fiscal year that ended 2014, which was a
15 20 percent increase over 2013.

16 What is the outstanding debt for
17 fiscal year ending March 2015?

18 COMMISSIONER ZEMSKY: I will have to
19 get you the details of that.

20 SENATOR KRUEGER: So you don't know
21 that -- I'd like to know that also. Thank
22 you.

23 Following up on the -- well, it's not
24 just Buffalo, although it was the discussion

1 of the Buffalo Billion that triggered this.
2 So we are apparently moving ESDC
3 responsibilities and distribution decisions
4 for hundreds of millions of dollars of public
5 funds from your agency to not-for-profit
6 business groups such as somebody called Fort
7 Schuyler/Fuller Road. How does that work,
8 and why does ESDC need to move this out of
9 yourselves to someone else?

10 COMMISSIONER ZEMSKY: I'm sorry, what
11 was the specific example?

12 SENATOR KRUEGER: Hundreds of millions
13 of dollars of public funds have been
14 distributed through ESDC to groups such as
15 Fort Schuyler/Fuller Road Development
16 Corporation, and then they are the ones who
17 make the decisions on how that money is
18 distributed.

19 Why aren't you solely responsible for
20 these funds?

21 COMMISSIONER ZEMSKY: DOB, in our
22 budget -- through ESD, they're intended to go
23 to those specific --

24 SENATOR KRUEGER: Could you move

1 closer? I can't hear you, I'm sorry.

2 COMMISSIONER ZEMSKY: Oh, sorry.

3 Yeah, ESD gets the funds, but they
4 are -- like in this year's budget, there's
5 some funds that are designated for CNSE
6 projects that will come through ESD.

7 SENATOR KRUEGER: And who's
8 responsible for monitoring how that money is
9 spent or enforcing clawback provisions or
10 evaluating the metrics, you or that separate
11 entity?

12 COMMISSIONER ZEMSKY: Yeah, so ESD
13 does play a role. We make sure that the
14 money is spent appropriately and consistent
15 with the legislation.

16 SENATOR KRUEGER: And does the
17 Comptroller's office have the same authority
18 to audit the deals done by outside
19 not-for-profits as opposed to when they can
20 audit ESDC directly?

21 COMMISSIONER ZEMSKY: I am not clear
22 on what the difference might be for the
23 Comptroller's office.

24 SENATOR KRUEGER: And does it concern

1 you that you're taking public money, you're
2 moving it into a not-for-profit entity which
3 turns out to be a subsidiary of a SUNY
4 college? There's many levels here that are
5 very different than a normal ESDC historical
6 deal. Do you know what triggered this
7 significant change in policy?

8 COMMISSIONER ZEMSKY: I'm not aware of
9 it being a significant change in policy.
10 I've been here for a year, and I'm not at all
11 aware of it being a change in policy.

12 SENATOR KRUEGER: Can you name other
13 projects where you subcontract the money and
14 the responsibility outside of ESDC to other
15 entities like this?

16 COMMISSIONER ZEMSKY: Well, we
17 subcontract to community development
18 financial institutions. We have tourism
19 partners. We -- you know, we are funding a
20 number of different institutions and
21 entities that are helping to provide services
22 and helping us reach our goal.

23 SENATOR KRUEGER: And those are mostly
24 consultants who work with your agency, or you

1 actually say, Here's our billion dollars,
2 you'll do it and you'll let us know how it
3 goes?

4 COMMISSIONER ZEMSKY: They are
5 applying for money in exchange for services,
6 and they are being awarded money in exchange
7 for those services.

8 SENATOR KRUEGER: Just checking time.
9 Fine.

10 So because this is many-layered and
11 it's becoming more confusing, at least to me,
12 what are your rules about law firms and
13 lobbyists working both for a business trying
14 get the subsidy and perhaps the
15 not-for-profit who's the middleman for you,
16 or even working as a lawyer or lobbyist for a
17 public authority and also for the business
18 attempting to get a subsidy? Do you have
19 policies in ESDC about that?

20 COMMISSIONER ZEMSKY: Well, we have
21 conflicted-interest policies that our legal
22 department follows in all cases.

23 SENATOR KRUEGER: So you believe that
24 wouldn't be allowed under your policies?

1 COMMISSIONER ZEMSKY: I believe,
2 speaking for ESD, that we would make sure
3 that there weren't conflicts as it related to
4 our hiring of any, you know, law firms.

5 SENATOR KRUEGER: I'm timed up again.
6 Thank you very much.

7 CHAIRWOMAN YOUNG: Do you have any
8 other speakers?

9 CHAIRMAN FARRELL: No, we're finished.

10 CHAIRWOMAN YOUNG: All right. Well,
11 thank you, President. Thank you so much for
12 being here today. We truly appreciate it.
13 Look forward to working with you in the
14 future.

15 COMMISSIONER ZEMSKY: Great. Thank
16 you so much.

17 CHAIRMAN FARRELL: Well, goodbye.

18 CHAIRWOMAN YOUNG: Our next speaker is
19 Ken Pokalsky, vice president of government
20 affairs at The Business Council of New York
21 State, Inc.

22 MR. POKALSKY: Good afternoon. Ready
23 to go?

24 CHAIRWOMAN YOUNG: Thank you. Ready

1 to go.

2 MR. POKALSKY: Well, appreciate the
3 opportunity to be here on behalf of The
4 Business Council and our 2400-member
5 companies across the state.

6 We've submitted pretty detailed
7 commentary on the Executive Budget, both on
8 economic development programs and proposals
9 in the Executive Budget that impact the
10 state's economic climate, for the good or --
11 for better or for worse. So I'd like to give
12 a quick overview of the highlights and then
13 be happy to answer any questions that you
14 might have.

15 First and foremost, you know, we are
16 major supporters of the fiscal discipline
17 approach that we've taken over the past five
18 years. This would be the sixth budget that
19 provides a fairly low-growth increase in
20 state spending. And that's allowed the state
21 to do things like tax reform and accommodate
22 spending on priorities.

23 We look around at our sister states,
24 we see a number of states in significant

1 fiscal straits, looking at new tax revenues
2 and new tax proposals, and we're in far
3 better fiscal shape than many. This has
4 allowed us to do things that have been
5 positive developments in the state's economic
6 development climate, like corporate tax
7 reform; the real property tax cap, which has
8 produced significant tax constraints for the
9 private sector as well; ReCharge NY, there's
10 \$100 million assistance for energy-intensive
11 businesses across the state, and others. So
12 these are good things that we've done, and we
13 think the budget's framework is a positive
14 one.

15 On the other hand, though, there's a
16 proposal in the budget, it might be the
17 largest single business cost ever considered
18 by the New York State Legislature, and that's
19 a minimum wage increase that, fully
20 implemented by 2021, would be a \$15.7 billion
21 hit on employers. And regardless of how, you
22 know, how good-intentioned it is, we think it
23 will have a significant adverse impact on
24 jobs, particularly in upstate New York, where

1 you see regional economies that are still
2 trying to recover jobs lost in the 2009
3 recession.

4 And we've included in our testimony
5 data that shows, since 2008, which is the
6 pre-recession peak for jobs in many regions
7 of the state in the last couple of years, you
8 see, you know, fairly positive job growth in
9 New York State. A lot of that's concentrated
10 in New York City. And upstate, once you get
11 out of the major urban areas, you see
12 basically flat-line or negative job growth.

13 So imposing significant new costs on
14 employers, whether it's minimum wage or the
15 compliance burdens of paid leave, we think is
16 the wrong strategy and it's going to have
17 adverse impact.

18 Now, there's a number of provisions in
19 the budget that we support. Other people in
20 this morning's hearing and earlier today have
21 talked about the small business tax cut. We
22 think this is a logical next step of what the
23 state has done over the last several
24 legislative sessions. 2014 was corporate tax

1 reform, 2015 was bringing New York City's
2 business taxes into line with the state's,
3 and now we're looking at a \$300 million
4 small-business-oriented tax reduction.

5 We think the structure in the
6 Executive Budget makes a lot of sense. We
7 frankly think it should be made larger and
8 more inclusive of small businesses, say up
9 to -- small businesses with net income of
10 \$500 million. We think it's the right
11 approach.

12 In our budget we also outline a number
13 of technical amendments to the corporate
14 franchise tax reforms adopted in 2014 that
15 for the most part are addressing unintended
16 consequences, imposing taxes in ways that
17 were never intended. So these reforms could
18 be done without any impact on the state's
19 fiscal plan because it's addressing revenue
20 streams that the state never anticipated when
21 the reforms were adopted in the first place.

22 I'd like to mention just a couple of
23 economic climate issues that we think are
24 critically important and have a broad-based

1 impact on business that the Legislature needs
2 to consider when they're doing the budget.

3 You probably hear from your business
4 constituents concerns about the rising cost
5 of workers' compensation. There's some very
6 useful reforms in the package; there's one
7 major missing one. And that is addressing
8 this issue known as permanent partial
9 disability caps. It was a central
10 cost-saving reform that was adopted as part
11 of the 2007 comp reform package. It's never
12 been well-implemented. And we've been
13 talking to the administration and members of
14 the Legislature to say this is the
15 opportunity to get that done. That would
16 have a significant cost savings for employers
17 across the state.

18 Other things like CPA -- the earlier
19 panel talked about regulatory issues, where
20 New York State is different than most states,
21 that are causing -- they're impairing
22 businesses' ability to grow. New York State
23 is one of only three states in the U.S. that
24 does not allow for non-CPA minority ownership

1 in CPA firms. And this has impaired growth
2 where you have a CPA firm that's looking into
3 expand into consultancy in various business
4 activities that does not require a licensed
5 CPA to do. It has been a challenge for some
6 employers to attract, you know, the
7 high-quality staffing that they'd like to, to
8 take advantage of business opportunities that
9 could be in New York State and elsewhere.

10 Any number of other issues of interest
11 to us -- obviously, the budget's a
12 comprehensive proposal. But with that, I see
13 the clock coming down. I'd like to stop and
14 take any questions you have on those topics
15 or others that we are addressing in our
16 written testimony today.

17 CHAIRWOMAN YOUNG: Thank you very
18 much.

19 Any questions?

20 SENATOR KRUEGER: I'm still reading,
21 so I thank you for the very detailed
22 testimony. And I will be happy to follow up
23 with you.

24 CHAIRWOMAN YOUNG: Thank you.

1 Assembly?

2 ASSEMBLYMAN SCHIMMINGER: I'm happy.
3 We're happy.

4 SENATOR KRUEGER: Oh, Denny, you've
5 got one on this side.

6 CHAIRMAN FARRELL: Yes. She's just
7 joined us. Ms. Bichotte, Assemblywoman
8 Bichotte. Yes?

9 ASSEMBLYWOMAN BICHOTTE: Hi. Thank
10 you for being here. I just have one
11 question.

12 The council, given its many members,
13 has an opportunity to have a tremendous
14 impact on New York State's economy. What
15 actions or initiatives has the council taken
16 to work with its member organizations to
17 create a more diverse workforce?

18 MR. POKALSKY: We have a -- the best
19 example is a lot of our companies do business
20 with the state. And with the MWBE
21 requirements, they recognize both the need
22 and the value of engaging with minority and
23 women-owned enterprises.

24 What we do, for example, we do a

1 couple of programs a year where we bring in
2 our larger companies, our prime contractors
3 to the state, on businesses from construction
4 to technology sales, and invite -- we work
5 through our membership, our local chambers of
6 commerce, the Small Business Administration,
7 to identify small business MWBE
8 subcontractors and vendors who can work with
9 our larger companies in filling the contracts
10 they have with the state. So most of what
11 we've done is look at these matching efforts.

12 Secondly, anyone who does contract
13 with the state knows it's a complicated,
14 increasingly complicated process, it's an
15 expensive process, it's a frustrating
16 process. And we've looked at things in the
17 procurement system that tend to discourage
18 people from participating.

19 And we think a very commonsense one is
20 we have legislation that both houses passed
21 last year that was vetoed, and one of the
22 provisions said if you're a bidder and your
23 bid is rejected, you're entitled to a debrief
24 from the agency to say why you failed. And

1 in our view, the purpose there is to
2 understand, frankly, what you did wrong --
3 did you miss on the number, did you not meet
4 the technical requirements? It's an effort
5 we think that would be very valuable to small
6 business and MWBE businesses to understand
7 basically how to do this.

8 We also have -- and we think this
9 year -- the basic procurement laws in the
10 state are expiring in June. The Executive
11 Budget has a provision in there that extends
12 it without any change. We think this is a
13 perfect opportunity to look at ways to
14 streamline the procurement system to make it
15 more accessible to smaller businesses who
16 want to do business with the state. And
17 that's just one example of the things that we
18 would do.

19 We'll hear from a lot of smaller
20 businesses, which tend to include MWBEs, that
21 the bonding requirements to participate in
22 state contracts are too expensive for them to
23 engage. So we've looked at ways for smaller
24 businesses to offer alternative ways of

1 posting security, you know, for performance
2 guarantees as part of the procurement
3 process. So there's any number of ways that,
4 you know, keeps the integrity of the
5 competitive bidding process in place but
6 helps, you know, smaller businesses and,
7 frankly, some of our larger businesses who
8 sometimes just are so fed up with the costs
9 and the uncertainty and the difficulty of
10 doing business, just "We're not going to try
11 anymore, we've got other places to try and
12 sell our wares."

13 ASSEMBLYWOMAN BICHOTTE: I'm really
14 happy that you mentioned MWBE as a way or
15 path to increase workforce diversity. I am
16 the chair of the subcommittee in the Assembly
17 on MWBE.

18 However, workforce is one thing;
19 procurement is another. As you know, we're
20 being challenged because procurement
21 participation for MWBEs is very little, very
22 tiny. And it won't really address the
23 workforce diversity need that we need in the
24 State of New York. So we're not only looking

1 to hire a diverse workforce through these
2 small businesses, who may only have limited
3 capacity, but we're looking at the larger
4 companies to also hire a diverse workforce.

5 In addition to that, I did notice,
6 through the Yellow Book, pages 93-101, that
7 there was no mention of MWBE at all. The
8 word MWBE does not even appear. And so I
9 just wanted to know why.

10 But again, please address the larger
11 companies that are not MWBE and how we're
12 going to increase our workforce diversity
13 with the larger companies.

14 MR. POKALSKY: Well, one, I didn't
15 hear what you said, that MWBE didn't appear
16 why?

17 ASSEMBLYWOMAN BICHOTTE: The Yellow
18 Book. I'm sorry, in the budget. Just in the
19 wording, the Yellow Book.

20 MR. POKALSKY: Okay.

21 ASSEMBLYWOMAN BICHOTTE: Yeah. So the
22 word MWBE was not mentioned in the economic
23 development part of the Yellow Book. This is
24 where we're kind of looking at the budget and

1 the initiatives and so forth, the word MWBE
2 is nowhere to be found. So it's startling.

3 MR. POKALSKY: Well, that's not our
4 work product, so I can't really comment on
5 that.

6 But we -- you know, to answer your
7 other -- the other part of the question in
8 terms of workforce diversity, I mean, one of
9 the things that we hear from our members all
10 the time is the challenge in finding
11 employees to meet what we will call the
12 middle-skills jobs.

13 So what we've been encouraging is, you
14 know, through the CTE diploma process, which
15 is now authorized in funding from the state
16 to what are called P-TECH high schools, where
17 you're devising curriculum to match students
18 to job needs in the community, many of which
19 are in urban communities.

20 We do think there's a need for the
21 state to assure that, you know, its education
22 and vocational programs are being designed to
23 help students meet the actual job needs that
24 are out there.

1 And one of the questions we have, are
2 we recognize there's a lot of, you know,
3 relatively well-paying jobs in the state that
4 simply go unfilled because you can't find a
5 qualified candidate. So we're suggesting
6 different ways to make sure that, you know,
7 both urban youth and others, you know, have a
8 pathway to those jobs.

9 You know, we've supported and a number
10 of members have taken significant advantage
11 of the at-risk youth job training program --
12 or tax credit that's in the budget that's
13 being significantly expanded in this budget.
14 And that's a direct way to connect employers
15 with youth, including minority youth, urban
16 youth.

17 So there are a number of --

18 ASSEMBLYWOMAN BICHOTTE: And women.

19 Don't forget the women.

20 MR. POKALSKY: -- provisions out there
21 as well.

22 What?

23 ASSEMBLYWOMAN BICHOTTE: And the

24 women.

1 MR. POKALSKY: Well, youth isn't just
2 men youth, it's men and women. But
3 understood.

4 ASSEMBLYWOMAN BICHOTTE: Right, I
5 understand.

6 Thank you.

7 MR. POKALSKY: You're welcome.

8 CHAIRWOMAN YOUNG: Thank you very
9 much.

10 Any questions from the Senate?

11 Okay, well -- oh, I'm sorry.

12 CHAIRMAN FARRELL: Robin Schimminger.

13 ASSEMBLYMAN SCHIMMINGER: Workers'
14 compensation. Over the years, many companies
15 have complained about the workers' comp
16 system and the costs. There have been
17 assessments put on carriers and on
18 self-insured employers. And at least the
19 comfort of those assessments is that it
20 creates a cushion in the system.

21 In this budget I understand that there
22 is a sweep of about a third of a billion
23 dollars from this cushion. Is this
24 unprecedented, or is this a custom in

1 New York? I know you haven't been around
2 10,000 years, Ken. But this is pretty big,
3 isn't it?

4 MR. POKALSKY: Yeah, this is a
5 proposal to -- the way the Workers'
6 Compensation Board runs, it's basically
7 financed through assessments on carriers and
8 self-insured employers. And it's based on
9 your activity -- it tries to match your share
10 of compensation activity in a given year with
11 the actual expenditures of the board.

12 And then we see in the fifth quarter
13 there's a true-up and the cycles repeats over
14 and over. So the excess assessments of one
15 year would be credited back the next year. I
16 think, combined, they're about a billion
17 dollars a year.

18 This budget, for the first time, says
19 instead of using those funds to credit for
20 the next year's assessment levels, it would
21 take them into the General Fund -- I think
22 it's \$375 million over a three-year period,
23 and be used for various purposes.

24 We certainly think that those

1 monies -- the current process should be
2 retained, and those resources should be -- or
3 those excess assessment revenues should be,
4 you know, credited back.

5 ASSEMBLYMAN SCHIMMINGER: No raid.

6 MR. POKALSKY: Particularly where
7 you've got a major workers' compensation
8 reform package in the Executive Budget, part
9 of which is to streamline the system and
10 reduce some costs. So I think it's
11 counterintuitive, if you take in, you know,
12 \$375 million from carriers and ultimately
13 employers.

14 ASSEMBLYMAN SCHIMMINGER: Thank you.

15 CHAIRWOMAN YOUNG: Thank you.

16 CHAIRMAN FARRELL: Thank you.

17 CHAIRWOMAN YOUNG: I'd like to thank
18 you on the comprehensiveness of your
19 testimony. And there's a lot to absorb here.
20 And truly we appreciate you being here today,
21 so thank you.

22 MR. POKALSKY: Our pleasure. Thank
23 you.

24 CHAIRWOMAN YOUNG: Thank you.

1 Our next speaker will be Brian
2 McMahon, executive director of the New York
3 State Economic Development Council. And he
4 will be joined by Michael Stamm, president
5 and CEO of Tompkins County Area Development.

6 Welcome, gentlemen.

7 MR. McMAHON: Thank you. And thank
8 you for the opportunity to testify on behalf
9 of the New York State Economic Development
10 Council. We represent local, regional,
11 statewide economic development agencies as
12 well as businesses that support local
13 projects.

14 In the interest of time, I'm not going
15 to go through and read all these -- read my
16 testimony or even cover all of these issues,
17 but they are in the testimony and I'd be
18 happy to answer questions on issues that we
19 may not touch on in our testimony.

20 The first issue I want to talk about
21 is part of Article 7 of the TED bill. This
22 legislation would require projects that are
23 financed by industrial development agencies
24 using private activity bonds, to have those

1 projects approved twice at the state level --
2 once by ESD and once by the Public Authority
3 Control Board. These projects currently are
4 locally controlled.

5 Just by way of background, briefly, in
6 1986 Congress enacted comprehensive tax
7 reform. Part of that reform included capping
8 private activity bonds. And it was capped
9 with a per-capita dollar amount, per capita
10 for each state. The current cap is \$100
11 per capita. Our allocation in New York right
12 now is about \$2 billion.

13 In 1987 we implemented a statute which
14 allocated our volume cap in the following
15 ways. A third went to local IDAs, a third to
16 state public authorities, and a third into a
17 bond reserve. And the allocation to IDAs for
18 the last 29 years has been locally
19 controlled.

20 The system works. Mayor de Blasio
21 mentioned this in his testimony last week, or
22 earlier this week, I guess, because of its
23 impact on his affordable housing program.

24 So we would urge and recommend that

1 the Legislature not include this in the final
2 enacted budget.

3 I'll skip the next issue; it's an
4 important issue, but I'll be happy to come
5 back and answer questions.

6 I do want to mention the Workforce
7 Development Institute. This is an important
8 economic development partner of ours. It's a
9 labor-backed organization that partners with
10 our members at the local level in delivering
11 resources primarily in the training area, but
12 also in the LEAN and ISO and equipment and
13 software training areas.

14 They were not funded in the Governor's
15 budget. However, we are supporting their
16 request for \$3 million. And, you know, given
17 the demand for their programs and also the
18 broad collaboration that they promote among
19 key stakeholders, we would also support a
20 larger appropriation if you were to make it.

21 The next issue, the Governor has
22 included in his budget a major community
23 revitalization initiative. He has
24 appropriated \$100 million, or would

1 appropriate \$100 million for downtown
2 revitalization. These funds would be awarded
3 on a competitive basis to 10 winners, with
4 each receiving \$10 million.

5 We certainly agree with the focus of
6 this program. We know what the needs and
7 what the opportunities are for downtown
8 revitalization. We think there are huge
9 market opportunities, with the interests of
10 seniors and millennials wanting to live in
11 downtowns, that can be leveraged.

12 However, we would recommend that this
13 not be a subject to a competition where there
14 are 10 winners and a lot of losers. We think
15 that there are needs all over the state. We
16 would strongly recommend that the
17 \$100 million be appropriated to the RESTORE
18 NY program. This was a program that was
19 created in 2006, initially with a
20 \$300 million appropriation, but its purpose
21 is identical to the purpose of this program
22 that the Governor has proposed.

23 RESTORE NY is very well administered
24 by ESD. We have a community-based economic

1 development program, and when we ask our
2 members what's the most important downtown
3 revitalization, whether they're economic
4 developers or whether they're private
5 developers or elected officials, they will
6 tell us that RESTORE is.

7 So it's a good program. We would like
8 to see it made more robust through the kind
9 of redirection of the \$100 million to that
10 program.

11 The next issue is minimum wage. Our
12 organization has never engaged on this issue,
13 and primarily because our members do not work
14 with or develop minimum wage projects,
15 typically. But the size of this increase is
16 so significant that it's going to cut across
17 all industry sectors, and we believe will
18 have a very significant impact on economic
19 development.

20 And I'm going to ask Michael Stamm,
21 who's from Ithaca, to kind of talk about, you
22 know, some real examples of how this will
23 affect technology companies in his area.

24 MR. STAMM: Greetings from the

1 People's Republic of Ithaca.

2 (Laughter.)

3 MR. STAMM: It's great to be here in
4 Albany.

5 And I thought a specific example would
6 be better than talking in vague generalities.
7 We're working with a high-tech company that
8 was founded in the year 2000 by one person
9 who licensed some really exotic Cornell
10 technology. They manufacture monolithically
11 integrated optoelectronic components based on
12 indium phosphide. I have no idea what that
13 means, but it sounds really high-tech.

14 And they bounced along with just a few
15 people but quickly moved from the R&D phase
16 to the manufacturing phase using local
17 venture capital, and attracted venture
18 capital from all over the United States
19 because their technology was so good.

20 They came to us with a project, they
21 had 143 employees when they came to us and
22 plan on adding about 100. They're quite
23 passionate about hiring unemployed people and
24 using their own resources to train them up to

1 work in a high-tech clean room environment.

2 They hire people at below the current
3 minimum wage because they ultimately spend so
4 much money on training because there aren't
5 the available skilled workers to do that.

6 So if this minimum wage goes into
7 effect, we're greatly concerned that a
8 company like this and other advanced and
9 light manufacturers in our community that
10 hire unskilled workers, spend their own money
11 to train them up, have a career ladder, offer
12 great benefits, will not be able to do that.

13 This company was recently acquired by
14 a company out of Massachusetts for about
15 \$230 million. It was a big win for local
16 investors, but we're concerned that with
17 the minimum wage increase, companies like
18 this and others will shift the manufacturing
19 jobs out of our community. We'll be left
20 with R&D jobs, which are great, but we
21 consider these entry-level manufacturing jobs
22 the real home run in economic development.

23 CHAIRWOMAN YOUNG: Thank you very
24 much.

1 Any Senators have any questions?

2 Senator Krueger.

3 SENATOR KRUEGER: Thank you very much.

4 So the PILOT issue with the tax cap, a
5 property tax cap. So I believe that when we
6 had the Education hearing the other day, and
7 the Local Government hearing, this came up
8 several times, that just allowing this change
9 that you're proposing would give any number
10 of smaller school districts some room to
11 negotiate with revenue coming in.

12 Is that your understanding as well,
13 that your proposal is the same as what I was
14 hearing from associations of towns and
15 counties and some school districts?

16 MR. McMAHON: Yes. That is
17 our understanding.

18 SENATOR KRUEGER: And is it your
19 understanding that then has any cost to the
20 state of a change in lost revenue or gained
21 revenue? It's only at the local level?

22 MR. McMAHON: It's my understanding
23 that it would only be at the local level.

24 I mean, communities -- IDAs are the

1 primary tool that local governments have to
2 do economic development. And they're being
3 penalized when economic development they do
4 through IDAs, when that sussed property
5 cannot be added to the growth factor. That's
6 all we're suggesting, is that it be added to
7 the growth factor to determine what the
8 increase in tax levy can be.

9 SENATOR KRUEGER: I wanted to make
10 sure I understood that correctly.

11 And then you also talk about, in your
12 testimony -- you might have skipped over it
13 when you were presenting -- the RESTORE
14 program. And actually when Senator Bonacic
15 was here, he asked a question about decreased
16 money for RESTORE.

17 MR. McMAHON: Yes.

18 SENATOR KRUEGER: And I believe that
19 ESDC said that they thought there was perhaps
20 money left available for reapprops. What's
21 your understanding of the drop in the RESTORE
22 funds and whether they are in fact getting
23 out the door already and that there is
24 actually more money to spend this year or not

1 more money to spend this coming year?

2 MR. McMAHON: Well, I heard his
3 testimony and his comments, and I know that
4 there are a number of awards that have been
5 made over the years. I mean, you've got to
6 remember that this program really was a
7 three-year program to '06-'07 and away.

8 SENATOR KRUEGER: Okay.

9 MR. McMAHON: So if a project hasn't
10 started by now, there is the ability -- and
11 I'd have to look at the statute again to know
12 if they had the ability to scrape that and
13 then reuse it. If that's the case, then I'm
14 certain that there are, you know, several
15 millions of dollars available.

16 We're disappointed that the \$25
17 million that was appropriated last year was
18 not used.

19 SENATOR KRUEGER: And you know that it
20 was not used?

21 MR. McMAHON: It was not used. They
22 would have had to have done another rollout
23 of the program.

24 And I don't know if -- I know there

1 wasn't a direct appropriation for the
2 program. So if the funds are still
3 available, theoretically, they still could do
4 that.

5 SENATOR KRUEGER: Thank you very much.

6 MR. McMAHON: Thank you.

7 CHAIRWOMAN YOUNG: Thank you, Senator.
8 Assemblyman?

9 ASSEMBLYMAN SCHIMMINGER: Senator
10 Krueger and I think a lot alike. She asked
11 both of the areas which I was going to ask.

12 First, the real property tax cap
13 interrelationship with PILOTs, which I
14 confess I thought we solved last year. But
15 thank you for your testimony, because you
16 indicate that we are waiting for Tax and
17 Finance to promulgate regulations.

18 And your suggestion that we simply
19 plug into the law the language contained in
20 that Morelle-O'Mara bill is a good one. And
21 that is something which I think local
22 governments and school districts and economic
23 developers and Senator Krueger and I might
24 all agree is a very good idea.

1 You think so? You think so.

2 MR. McMAHON: I certainly hope so,
3 Assemblyman.

4 ASSEMBLYMAN SCHIMMINGER: The second
5 point, in regard to the contest -- the new
6 contest, the \$100 million contest for
7 downtown revitalization, you know, last year,
8 Brian, I at my peril was critical of the
9 Upstate Revitalization Initiative, at my
10 peril -- and of course that program
11 continued.

12 Now you, showing great courage, are
13 suggesting that instead of this competition,
14 we directly fund with those dollars the
15 RESTORE NY program. Do you feel that you
16 have allies in this suggestion, or are you a
17 voice in the wilderness on this?

18 MR. McMAHON: You know, I haven't
19 talked to other organizations to see if this
20 is something that they would support. I know
21 our members strongly will support it.

22 ASSEMBLYMAN SCHIMMINGER: Good.

23 MR. McMAHON: Yeah. So ...

24 ASSEMBLYMAN SCHIMMINGER: Okay, good.

1 Thank you.

2 CHAIRWOMAN YOUNG: Thank you very
3 much.

4 You have brought up some really great
5 points today, and I do want to underscore
6 what you brought up about the Workforce
7 Development Institute and the need for
8 workforce training in New York State.

9 As we know, we want our children to be
10 able to stay after they graduate, but they
11 need to have the skills necessary in order to
12 get the jobs that they not only need but they
13 want. And what I've seen is that sometimes
14 there's a disconnect between what they're
15 learning through the school system and what
16 the local labor needs are.

17 So could you address that a little
18 bit? Because I think that's been an ongoing
19 issue. I think the WDI is part of the
20 solution. But are there other ideas that the
21 legislature could entertain in order to meet
22 these workforce training needs?

23 MR. McMAHON: So what I will tell you
24 is my -- and our organization has not staked

1 out a comprehensive proposal for job
2 training. But I think it's one of the legs
3 of the stool that is in most need of repair,
4 frankly.

5 I used to have a chairman who said if
6 we can't compete on cost, we'd better be able
7 to compete on workforce. And there are a lot
8 of disconnects.

9 One thing that I think we could do if
10 we're going to commit to this Regional
11 Council model -- and I think we should -- is
12 require each of the Regional Councils to
13 undertake a comprehensive job training
14 strategy that would entail two things. One,
15 it would entail surveying employer needs,
16 which we don't do, at least on a systematic
17 basis. And it would entail doing kind of a
18 SWAT analysis of who are the training
19 providers, what do they do, to what extent do
20 they work together.

21 So if we can identify needs on a
22 regional basis and identify assets on a
23 regional basis, then I think we can start to
24 put together, you know, some strategies that

1 will bring the training providers together to
2 work together to meet these needs. I think
3 if we, you know, did something along those
4 lines, I think it would make a big
5 difference.

6 But job training, skills training, to
7 me, is -- and workforce -- is the most
8 important component of economic development.
9 And, you know, probably more often than not,
10 people when they think of economic
11 development, they think of incentives and
12 they think of capital. Capital is important,
13 but probably 70 percent of the time when my
14 members are providing an economic development
15 solution to a business, it's a workforce
16 solution. And we need to do a much better
17 job in this area.

18 CHAIRWOMAN YOUNG: I agree with that.
19 I think that some kind of assessment to see
20 what the local labor market needs makes a lot
21 of sense. Because so many times
22 manufacturers tell me: I need a welder, I
23 can't find one; I need a machinist who's
24 trained, I can't find one. And so we're

1 addressing those sorts of issues in my
2 district, and there's a Dream It Do It
3 program and some other tools that are out
4 there.

5 But I do think that there has to be
6 maybe a more comprehensive approach, so I'm
7 glad to hear you speak of that. So I'd like
8 to thank you.

9 Anyone else? Okay. Well, thank you
10 so much for your testimony today.

11 ASSEMBLYMAN SCHIMMINGER: Thank you,
12 Brian.

13 CHAIRWOMAN YOUNG: Our next speaker is
14 Associated Medical Schools of New York. And
15 from there, we will be hearing from Ross A.
16 Frommer, vice president of governmental and
17 community affairs and associate dean,
18 Columbia University Medical Center.

19 So we met earlier today, and so it's
20 great to have you up front.

21 MR. FROMMER: Thank you very much.

22 Good afternoon. I'm here to argue or
23 to urge the Legislature to include
24 \$50 million for the NY FIRST program, the

1 New York Fund for Innovation in Research and
2 Scientific Talent. NY FIRST will help
3 New York's medical schools recruit and retain
4 the top scientific and research talent in the
5 country and in fact the world. That
6 \$50 million will be matched two to one, for a
7 total investment of \$150 million by the 16
8 medical schools across the state.

9 Many of you may be familiar with the
10 old Faculty Development Program from NYSTAR.
11 That was an enormously successful program
12 which showed a return of at least seven to
13 one on state investment, on their investments
14 in recruiting and retaining faculty members
15 at research institutions. NY FIRST will
16 expand and improve upon the FDP, and it is
17 important because we are seeing more and more
18 as other states are investing millions if not
19 billions in recruiting and retaining -- in
20 fact, it's poaching top scientific talent
21 from New York. Further details about the
22 NY FIRST program are attached in the back of
23 my testimony.

24 But what I really wanted to do here

1 today is to tell you another story of why
2 this program is so important for New York
3 State.

4 Last year I came before this committee
5 and told you of Dr. Rudy Leibel, a faculty
6 member at Columbia who, after receiving an
7 FDP grant, chose to continue his career doing
8 diabetes and obesity research in New York.

9 This year I'd like to tell you the
10 story of another fantastic example of a
11 scientist who is doing great work in
12 New York, Angela Christiano. Dr. Angela
13 Christiano is a professor of dermatology and
14 genetics at Columbia. Her work focuses on
15 the genetics and cell biology of skin and
16 hair diseases, and she and her colleagues are
17 trying to find basic ways to prevent, treat,
18 and someday hopefully cure various skin and
19 hair conditions.

20 Last month we had the honor of hosting
21 Lieutenant Governor Kathy Hochul as she had a
22 chance to meet Dr. Christiano and see her
23 very impressive work up close.

24 After completing her Ph.D.,

1 Dr. Christiano came to Columbia in 1995 to
2 begin her research career. Very early on she
3 made several important breakthroughs and
4 published important and well-regarded papers
5 in many of the most prestigious scientific
6 journals. As you might expect with someone
7 who had such great success, the offers
8 started coming in and schools across the
9 country tried to take her away from Columbia.

10 In 2006, an out-of-state institution
11 made her a very attractive offer that was
12 almost too good to pass up. But in the end,
13 Columbia was able to convince her to stay.
14 The primary reason we were able to do so was
15 because of an FDP grant from NYSTAR. The
16 NYSTAR grant was for roughly \$250,000 a year
17 for three years, for a total investment of
18 \$750,000. Since that time, Dr. Christiano
19 has received over \$25 million in federal
20 grant support and other funding.

21 Today, Dr. Christiano is responsible
22 for 50 good-paying jobs -- and this does not
23 include general campus support jobs like
24 maintenance, security, and animal care which

1 her lab indirectly supports. These are jobs
2 that not only offer a good salary but
3 benefits such as retirement, health, and even
4 educational benefits for families and
5 children, the kind of benefits that allow
6 families not only to support themselves but
7 in fact move up the economic ladder and build
8 strong communities.

9 So in 2006, the state invested
10 three-quarters of a million dollars in
11 Dr. Christiano. She used that money to hire
12 additional staff and purchase equipment. She
13 did not use it to increase her own salary.
14 All of the state money went to creating new
15 jobs and making large equipment purchases.

16 So after 10 years, the return on the
17 state investment is 35 to 1 and counting. My
18 back of the envelope calculations show that
19 just the New York State income tax revenue
20 from the employees in Dr. Christiano's lab is
21 north of \$150,000 per year.

22 One of the other requirements of the
23 original FDP grant was a proven track record
24 in technology transfer. She has excelled in

1 this area as well. Since receiving the FDP
2 grant, she has filed 35 invention disclosures
3 and received 26 patents. She has also
4 started three companies.

5 I remind you that the original grant
6 was a retention grant. If not for it, by
7 definition, all of her work, all of the
8 grant, all of the jobs would be occurring out
9 of state.

10 I submit that we want more scientists
11 like Angela Christiano coming, not leaving
12 New York, and programs like FDP, like NY
13 FIRST, can make this happen.

14 Of the 52 FDP grant recipients,
15 80 percent are still doing science in
16 New York, long after their grant expired.
17 And I will note that this is all around the
18 state -- upstate, downstate, SUNYs, private.
19 The leading recipients were not only Columbia
20 but Cornell as well as SUNY Buffalo and SUNY
21 Stony Brook.

22 So in closing, I'd just ask you to
23 support NY FIRST in this year's budget.

24 And I will note that Commissioner

1 Zemsky made two important points. One is the
2 importance of leveraging federal grant
3 funding from the NIH, National Institutes of
4 Health. This program will do that very well,
5 because it is the scientists, the star
6 researchers, who will come in with the
7 federal research funding.

8 He also talked about the importance of
9 the state's universities. Well, that
10 importance lies in the faculty members who do
11 the research.

12 Thank you very much. I'm happy to
13 answer any questions.

14 CHAIRWOMAN YOUNG: Thank you.

15 CHAIRMAN FARRELL: Thank you very
16 much.

17 CHAIRWOMAN YOUNG: Senator Krueger.

18 SENATOR KRUEGER: Thank you for coming
19 to testify today.

20 So are these medical school research
21 projects not eligible to apply for funds
22 through other EDC programs or the Regional
23 Economic Development Councils?

24 MR. FROMMER: I can only speak to

1 New York. We have looked into it before,
2 when the REDC first -- was not a lot of
3 interest in pursuing this. I can only say
4 that from my personal experience, I cannot
5 speak for what other people experienced, but
6 I did not see a lot of interest there.

7 SENATOR KRUEGER: Because -- like I
8 have all kinds of questions for our models of
9 economic development, but one theory was that
10 sort of broadening the definitions of who
11 could be eligible would actually mean less
12 individual programs but a greater amount of
13 money for those people who really could show
14 the win to apply for. And I think that year
15 in, year out, you come and you testify or
16 meet with us and show real wins in medical
17 research investments.

18 So you actually think the state's
19 total investment in science and medical
20 research has actually gone down since we
21 stopped funding a specific program?

22 MR. FROMMER: Well, certainly the FDP
23 existed from 2003 roughly until 2009-2010. I
24 forget.

1 There was \$650,000 in the budget from
2 two years ago; there was nothing in last
3 year's budget.

4 SENATOR KRUEGER: Thank you.

5 MR. FROMMER: May I just note that
6 we've been joined by Senator Golden. Senator
7 Golden has been a real champion of the
8 Faculty Development Program and the NY FIRST
9 program. Thank you for your support.

10 SENATOR GOLDEN: Thank you very much.

11 CHAIRWOMAN YOUNG: Thank you very
12 much. And now I don't have to introduce
13 Senator Golden, so thank you for doing that
14 on my behalf.

15 (Laughter.)

16 MR. FROMMER: I didn't say his first
17 name.

18 CHAIRWOMAN YOUNG: Marty Golden.

19 CHAIRMAN FARRELL: Thank you. We've
20 been joined by Assemblywoman Richardson.

21 CHAIRWOMAN YOUNG: Any questions?

22 CHAIRMAN FARRELL: Any questions?

23 CHAIRWOMAN YOUNG: We're very pleased
24 that you could participate today. Very

1 association in the country, founded in
2 Saratoga Springs in 1887. We have nearly
3 1,300 members of the lodging and attractions
4 industry, representing about 125,000 sleeping
5 rooms across the state.

6 The hospitality and tourism industry
7 has recently experienced tremendous growth
8 which is unparalleled, a combination of
9 creating and maintaining jobs as well as
10 providing the State with a return on its
11 investment.

12 In December, early indications showed
13 that for the first time in history, the
14 economic impact of tourism in New York is up
15 15 percent in the last five years. New York
16 State welcomed over 227 million visitors,
17 growing 12 percent since 2011, including
18 11.7 million international visitors. New
19 York hosted nearly one-third of all overseas
20 visitors to the U.S., the highest of any
21 other state.

22 The spending of these visitors
23 generated \$101 billion in total spending,
24 generating \$7.8 billion in state and local

1 taxes combined. And that equates to saving
2 each New York State household an average of
3 \$962 in taxes.

4 In return, this activity sustained
5 867,000 jobs, with total wages topping
6 \$31.6 billion, making tourism the state's
7 fourth largest employer. One in every 12
8 jobs is sustained by tourism.

9 Given these kinds of returns as a
10 revenue source, tourism is not only a wise
11 investment but a critical one for New York's
12 economy. To that end, we are requesting that
13 funding mechanisms for the I Love NY,
14 Market NY, and Taste NY programs are at least
15 maintained, as provided in the Governor's
16 2016-2017 Executive Budget proposal. We also
17 request that at least \$5 million be allocated
18 to the matching grants program in the
19 upcoming fiscal year.

20 In asking this, we'd like to thank the
21 Legislature for providing an additional
22 \$500,000 in matching grants in last year's
23 enacted budget. The increased allocation to
24 a total of \$4.3 million played a critical

1 role at the local level for tourism-related
2 projects. Providing \$5 million --
3 \$1.2 million above the proposal -- in the
4 2016-2017 budget not only builds on past
5 successes but puts the program funding back
6 in line with that which it was in 2008.

7 In December, also the state awarded
8 \$17.6 million in tourism-related projects,
9 which we've already heard about, through
10 Round 5 of the Regional Economic Development
11 Council process. We remain an ardent
12 supporter of this process, as they've been
13 providing funding sources for tourism and
14 promotion and marketing across the state. As
15 we move forward, we strongly support Round 6.

16 All of these funding mechanisms from
17 the Governor and the Legislature are
18 critical, so that the industry, along with
19 the state and local partners, can continue to
20 flourish.

21 In his 2016-2017 Executive Budget
22 proposal, as you have heard, the Governor has
23 proposed a statewide minimum wage increase of
24 \$15 per hour by 2018 in New York City and by

1 2021 for the rest of the state. In New York
2 State, if the minimum wage is raised at all,
3 the law requires that a Wage Board be called
4 regarding the minimum wage of food service
5 workers. Therefore, if an increase in the
6 statewide minimum wage happens this year --
7 something our association opposes -- a
8 Wage Board would subsequently be called for
9 food service workers.

10 We support the Restaurant Association
11 and our other partners in the efforts to
12 obtain a five-year freeze on any new
13 Wage Board being called if the minimum wage
14 is raised, on top of all of the newest
15 increases in both minimum wage to \$9 and an
16 increase in the service workers cash wage to
17 \$7.50, which at this point is only four weeks
18 old.

19 While as an industry we support a fair
20 minimum wage, it's important to note that
21 such increases, our members tell us,
22 negatively impact job creation and expansion
23 of businesses across the state.

24 We continue to be encouraged by the

1 Governor's commitment to tourism. After all,
2 it's the marketing and promotion that has
3 brought the visitors back. And it's
4 incumbent upon the state to ensure that the
5 tourism industry remains a powerful one.

6 While the tourism matching grants and
7 the I Love NY programs are funded through the
8 annual state budget and always will be
9 needed, we believe that they're only a part
10 of the solution, and we continue to
11 effectively market the attractions and
12 destinations that New York has to offer. So
13 that is why I'm pleased to testify before you
14 today and offer our association as a resource
15 and a partner in maximizing the industry's
16 impact on the state's economy.

17 Thank you for the opportunity, and I
18 will take any questions that aren't too hard.

19 CHAIRWOMAN YOUNG: Thank you very
20 much.

21 CHAIRMAN FARRELL: Thank you.

22 CHAIRWOMAN YOUNG: Any on our side?

23 SENATOR KRUEGER: Just one quick one.

24 CHAIRWOMAN YOUNG: Senator Krueger,

1 and then I have a quick one.

2 SENATOR KRUEGER: Thank you.

3 Do you break down your data by region
4 of New York?

5 MS. CHESTERTON: Yes, ma'am.

6 SENATOR KRUEGER: So perhaps we could
7 get that after the hearing.

8 MS. CHESTERTON: Absolutely. I may
9 have some --

10 SENATOR KRUEGER: I actually feel like
11 all of the increase is in my district.

12 MS. CHESTERTON: I actually have a
13 synopsis of it here by jobs, wages, by
14 county.

15 SENATOR KRUEGER: We love tourists,
16 but sometimes we think there are too many on
17 our sidewalks at any given moment.

18 MS. CHESTERTON: And that's a bad
19 thing?

20 SENATOR KRUEGER: Well, it's a
21 dilemma. We have somebody in the audience
22 going (gesturing a scale).

23 CHAIRWOMAN YOUNG: Maybe, maybe not.

24 SENATOR KRUEGER: Thank you.

1 CHAIRWOMAN YOUNG: Okay, Thank you.

2 Anybody on the Assembly?

3 I just had one question. The new
4 chair of the Tourism Committee in the Senate
5 is Senator Rich Funke, and he's very
6 interested in possibly taking a look at
7 reviving the Empire State Games, in that he
8 feels that it would be very good to get that
9 going again because of the tourism aspect.

10 Could you give your perspective on
11 that? Was that beneficial when the games
12 were operating?

13 MS. CHESTERTON: I'm not sure I'm the
14 right person to ask that question of. We've
15 had preliminary meetings, and he has
16 mentioned that. I'm not that familiar
17 with -- I don't know if I've been around that
18 long, and I'm not that sure how they were
19 handled or what agency of the state, I
20 believe, that would have handled it.

21 I know the team in place now at I Love
22 NY handles most of the state festivals and
23 events, so that would probably be a resource
24 that I would look to to see how it's handled

1 and how it was in the past.

2 CHAIRWOMAN YOUNG: Right, how it
3 attracted people to New York State.

4 So thank you. Thank you for your
5 testimony today.

6 MS. CHESTERTON: Thank you. My
7 pleasure.

8 CHAIRWOMAN YOUNG: Our next speaker is
9 Jenn O'Connor, New York State director,
10 ReadyNation, Council for a Strong America.

11 MS. O'CONNOR: Good afternoon.

12 CHAIRMAN FARRELL: Good afternoon.

13 CHAIRWOMAN YOUNG: Good afternoon.

14 MS. O'CONNOR: I am the New York State
15 director of a national nonprofit called
16 Council for a Strong America. It is an
17 umbrella organization that leverages the
18 voices of unique messengers around proven
19 investments in children and families. So we
20 represent law enforcement, retired military,
21 and business leaders.

22 I'm here today to talk on behalf of
23 ReadyNation, which is our business leader
24 organization. As employers, our members are

1 supportive of a range of college and career
2 readiness initiatives designed to close the
3 job skills gap, such as Career and Technical
4 Education, P-TECH, multiple pathways to a
5 diploma.

6 We hope that you will work across
7 budget tables this year with the Education
8 Committee to ensure that those initiatives
9 are adequately funded. It is only with
10 appropriate funding that they will be able to
11 offer access to the many young people who
12 might benefit from them and go on to become
13 successful employees contributing to the
14 economy.

15 However, today I want to talk to you
16 about something a little different. I want
17 to address my comments to the issue of
18 high-quality childcare, which is something
19 that hasn't been brought up at this hearing
20 today. But someone earlier did mention
21 barriers to employment and barriers to
22 economic development, and the lack of
23 childcare would be one of those.

24 I'll give you a little bit of

1 background. Every dollar in New York State
2 that is invested in early learning programs
3 generates a total of \$1.86 in sales of local
4 goods and services. That's as much or more
5 economic activity than investments in all
6 other economic sectors -- so that's more than
7 manufacturing, construction and
8 transportation. And it's money that stays in
9 local communities.

10 I urge you to keep that in mind as you
11 work with your colleagues on economic
12 development strategies across New York State.

13 But I wanted to talk about childcare
14 as small business. Under the Childcare and
15 Development Block Grant, childcare providers
16 must now be checked against a variety of
17 databases. We're talking about background
18 checks, fingerprinting. These are all very
19 good regulations. But the new regulation
20 means that more than 220,000 providers, as
21 well as household members over the age of 18,
22 will be required to have a background check,
23 at a cost of over \$100 per person. That
24 doesn't seem like a lot, but most of these

1 childcare providers and their employees are
2 low-wage workers.

3 Therefore, nearly 12,500 small
4 businesses and their employees will bear the
5 financial burden of these clearances if
6 funding is not included in the state budget.
7 Low-wage workers will be burdened by these
8 costs, and in worse-case scenarios, small
9 businesses across the state will be forced to
10 close.

11 You have demonstrated that you care
12 deeply about economic development and
13 bringing businesses to our state. There must
14 be a strong workforce to support your
15 initiatives. Employers and employees are
16 parents, and parents cannot work without
17 childcare. So we've spent a day talking
18 about -- or a number of hours talking about
19 bringing and sustaining, maintaining
20 businesses. That's an untenable situation
21 without childcare.

22 So specifically we would urge you this
23 year to allocated \$24 million to \$28 million
24 in economic development funds so that the

1 costs of background clearances for childcare
2 providers are not passed down to low-wage
3 workers and small businesses.

4 Thank you.

5 CHAIRWOMAN YOUNG: Thank you very
6 much.

7 Senator Savino has a question.

8 SENATOR SAVINO: Thank you. Thank
9 you, Senator Young.

10 Thank you for your testimony, Jenn.

11 I'm glad you raised the issue about
12 childcare as part of economic development.
13 It's something I've been saying for several
14 years now which should be part of our
15 economic development program, because access
16 to safe, affordable, quality childcare keeps
17 women in the workforce. It's good for
18 business, it's good for women, it's good for
19 families.

20 And in the past, I've been somewhat
21 critical of the idea of us providing the
22 money for the background checks because I was
23 thinking mostly of the idea that the SCR
24 clearance is about \$25, and that's not

1 outrageous.

2 But you're right, we have now added a
3 whole bunch of other background checks, which
4 for a person applying for a job that makes,
5 on average -- what does a childcare work
6 earn, on average?

7 MS. O'CONNOR: We're looking at people
8 who sometimes make as low as \$16,000 a year
9 and are eligible for childcare subsidies
10 themselves.

11 SENATOR SAVINO: Right. So laying out
12 \$100 for background checks is kind of a large
13 amount of money.

14 MS. O'CONNOR: Yes. Senator, we're
15 also looking at a workforce that has like a
16 20 percent turnover because people are paid
17 so horribly. So for a provider to pick up
18 that hundred dollars a person, if you're
19 hiring and rehiring, that's going to add up.

20 SENATOR SAVINO: And I know earlier
21 today E.J. McMahon testified at the Tax
22 Committee hearing -- and this is not the
23 first time he testified before the budget
24 committee. The first day, I think it was on

1 just general government issues. He talked
2 then and he also spoke today, interestingly
3 enough, about the effect of the minimum wage
4 on childcare workers, that because they
5 are -- some of them are private, they run,
6 you know, family-run daycare centers and
7 their money doesn't really come from -- it's
8 not private pay. For the most part, it's
9 subsidized childcare. So those subsidies
10 have not risen in years, and so they're more
11 of a conduit for public money, and how are
12 they supposed to meet the demands of the
13 higher minimum wage.

14 Have you guys looked at that?

15 MS. O'CONNOR: Yeah. And we haven't
16 specifically spoken to the minimum wage
17 because these workers are in a whole
18 different place than, say, someone working at
19 McDonald's is.

20 If you start to pay -- and we're
21 completely -- you know, as a child
22 development advocate, I would say that I'm
23 completely in favor. But for this workforce,
24 there really needs to be a career ladder.

1 These are folks who, if you suddenly increase
2 them to \$15 an hour, then everyone's pay has
3 to go up. And it should. But it would need
4 to be rolled in over time.

5 And I do think that because subsidy
6 dollars haven't risen in so many years, then
7 you're looking at passing those costs of
8 paying minimum wage on to parents. So your
9 cost of childcare actually goes up.

10 We base such costs of childcare now on
11 what parents are basically willing to pay,
12 not on what it actually costs.

13 SENATOR SAVINO: Thank you.

14 CHAIRWOMAN YOUNG: Thank you, Senator.

15 CHAIRMAN FARRELL: Thank you.

16 MS. O'CONNOR: Thank you.

17 ASSEMBLYMAN SCHIMMINGER: Thank you.

18 CHAIRWOMAN YOUNG: Thank you very
19 much. Appreciate it.

20 Our next speaker, and final speaker,
21 is Scott Wexler, executive director, Empire
22 State Restaurant and Tavern Association.

23 CHAIRMAN FARRELL: To close.

24 CHAIRWOMAN YOUNG: To close, as the

1 Assemblyman says.

2 MR. WEXLER: So I'm the last speaker.

3 CHAIRWOMAN YOUNG: Not least.

4 MR. WEXLER: It's 4 o'clock in the
5 afternoon. What's wrong with this process?

6 Thank you. And it will probably
7 please you that I do not intend to read my
8 testimony that we have submitted. I just
9 wanted to make some brief comments.

10 I understand a number of speakers have
11 already addressed the minimum wage issue.
12 And that, in effect -- I'm sure it won't
13 surprise you -- is the most important issue
14 facing our members in this year's Executive
15 Budget. I'm submitting testimony to the
16 Workforce Development hearing tomorrow; I've
17 attached that testimony for you.

18 But I came here to talk about the idea
19 that the Governor put forward about having
20 offsets that would help business deal with
21 some of the cost increases from his proposed
22 minimum wage increase. I said before, a
23 number of us have said it, at least what was
24 proposed by the Governor, the offsets he's

1 put forward don't come anywhere close to
2 covering the cost or even helping us meet the
3 cost.

4 But there were some promises in the
5 Governor's State of the State message of some
6 initiatives to come that could be helpful.
7 And in particular, the State Liquor Authority
8 chairman's Working Group on ABC Reform has
9 been tasked with making recommendations for
10 modernizing and reforming the Alcoholic
11 Beverage Control Law. This group is expected
12 to complete its work and issue a report with
13 recommendations at its next meeting, on March
14 2nd. Several of these recommendations will
15 be helpful to our members, including
16 proposals to permit Sunday morning sales in
17 restaurants and taverns, to provide the SLA
18 flexibility to grant licenses that would be
19 within 200 feet of a school or place of
20 worship, to reorganize the existing Alcoholic
21 Beverage Control Law in an easier-to-use
22 manner, and to examine the laws governing the
23 buying and selling of liquor and wine by
24 wholesalers to retailers, a very expensive

1 cost factor to us.

2 But this working group didn't emerge
3 out of thin air. When I began representing
4 this association more than 30 years ago,
5 State Senator Roy Goodman had already issued
6 a report explaining ways the Alcoholic
7 Beverage Control Law was antiquated and
8 calling for the recodification of the law to
9 bring it up-to-date. That was in 1981.

10 A number of legislators have helped
11 carry this mantle over the years, although
12 none has worked harder and frankly been more
13 successful and been a stronger advocate for
14 us than Chairman Schimminger. Yes, he is a
15 good -- amongst many good representatives.
16 But Chairman Schimminger succeeded in passing
17 legislation to get the review process started
18 in 2007. He, along with his colleague
19 Senator Alesi in the Senate, sponsored
20 legislation that called for the Law Review
21 Commission to study the law. They had a
22 deliberative process, took about two years,
23 involved a lot of stakeholders, and they
24 issued a report in 2009. And I was in this

1 room before a panel, actually separately at
2 hearings of the Senate and the Assembly, to
3 talk about those recommendations.

4 I'm not quite sure what happened since
5 then. But this year the Governor embraced
6 ABC reform, and now we have a real
7 opportunity to get it done.

8 So I came here today to call your
9 attention to it, but most importantly to
10 thank you. Thank you for all the work you,
11 the members of the Legislature, have done,
12 your staffs have done, including your central
13 staff over the years, to get us to this
14 place.

15 The proposed changes that we support
16 and others -- and this report, by the way, is
17 a report by consensus. Nothing is going to
18 end up being recommended that the whole group
19 can't live with. Which is very difficult to
20 do in our industry.

21 But these ideas are even more
22 important in a context where we're talking
23 about imposing higher cost mandates in the
24 form of minimum wage on our members. We need

1 to examine those ideas in this context. We
2 look forward to working with you on them. We
3 do expect a robust discussion about them.
4 But that is something that we look forward
5 to.

6 Again, we thank you for your time,
7 your attention, and we look forward to
8 crossing the finish line hopefully later this
9 year. Thank you.

10 CHAIRWOMAN YOUNG: Thank you.

11 Senator Savino has a question, please.

12 SENATOR SAVINO: Thank you.

13 Thank you, Scott.

14 I want to delve into the tipped wage
15 issue. I noticed that -- I read the
16 testimony while you were speaking, so I know
17 the issue of the largest increase going from,
18 what is it, \$5.50 to \$7.50. Some of the
19 larger restaurants, though, particularly in
20 Manhattan, are moving away from the entire
21 tipped wage issue as a way to resolve this.
22 So they see it as a two-step process: They
23 are eliminating the issue of having to
24 account for this and pay the higher tipped

1 wage, bringing everybody up to the minimum
2 wage, and so it provides a benefit to the
3 back of the house as well where they have a
4 problem attracting cooks and sous chefs and,
5 you know, all the back of the house
6 employees.

7 And so they're pooling this, they're
8 creating -- instead of -- they're eliminating
9 tips, and they're putting a gratuity on the
10 check, and they are then sharing the money
11 with everybody except for I think dishwashers
12 and somebody else.

13 So do you see that as a continuing
14 trend?

15 MR. WEXLER: What we see in the
16 industry -- and in fact, as minimum wages
17 have been raised in some other local
18 jurisdictions -- Seattle, Los Angeles and
19 others -- individual proprietors have begun
20 changing their methodology. Across the
21 nation, I'd say it's at its very beginning.
22 Most of our servers object to it.

23 SENATOR SAVINO: I bet.

24 MR. WEXLER: As a matter of fact,

1 during the Wage Board hearings last year
2 where they eventually made the recommendation
3 to raise the tipped minimum wage, many
4 servers testified to leave the system alone
5 because they were doing quite well.

6 At the end of the day, I've seen some
7 recent consumer research which tells me that
8 the idea to eliminate tipping is likely not
9 to be successful. Overwhelmingly, Americans
10 like the tipping system.

11 They also support higher wages for our
12 workers. And it is -- and I'm going to be
13 honest and say it's really a dichotomy for
14 owners, because we also know that our
15 customers don't like seeing the menu prices
16 go up. The customers like what they like,
17 and they don't like what they don't like.

18 So I don't think tipping is -- I think
19 we're going to see more of restaurants
20 eliminating tipping, but it will mostly be
21 restaurateurs like Danny Meyer, who are
22 destination establishments and very high
23 price tags, you know, high check averages.

24 But by the same token, if you do look

1 at my testimony that I submitted for
2 tomorrow, we're also looking at the other
3 end. One of the things that was quite
4 informative to us during the Wage Board
5 process was to understand how, in a segment
6 of our industry -- and I'm not going to --
7 but in the low check segment of our industry,
8 where the tipped workers are really making
9 very low tips, the data does indicate that
10 the tipped wage system is not providing for
11 them the same opportunity it's providing for
12 our member establishments.

13 I mean, my members, you know,
14 independent restaurants and taverns, \$15,
15 \$25 an hour with tips is standard. In the
16 better -- the higher-check places, they make
17 much more.

18 And so we talked to the Wage Board,
19 they adopted it, but the commissioner
20 rejected it. Perhaps looking at a way that
21 we can adjust the tipped wage in a way that
22 would protect those tipped workers who are
23 making \$15, \$20, \$30 an hour, but also not
24 trap those low-wage workers in a wage that is

1 literally just pennies above the minimum,
2 whatever the minimum is.

3 We have that in the miscellaneous
4 industry workers, folks who -- for example,
5 car washes and others, you have a low-tip and
6 a high-tip-level job, and you have to make a
7 certain minimum amount of tips in order to
8 qualify. Those workers actually are making
9 less in a minimum wage today than tipped
10 restaurant workers. And I assume that as you
11 sort through the minimum wage issue, whether
12 it's part of the budget or with separate
13 legislation, you'll come to some commonality
14 and understanding and hopefully we'll all end
15 up in a better place.

16 SENATOR SAVINO: If I recall, if we
17 raise the minimum wage, it automatically
18 triggers a Wage Board for the tipped wage
19 workers, doesn't it?

20 MR. WEXLER: That's correct. If you
21 adopt the Governor's proposal as written and
22 make no other -- or any other increase in the
23 minimum wage, a Wage Board would be required
24 to be held within six months, and the labor

1 commissioner would decide what the minimum
2 wage would be for those workers.

3 SENATOR SAVINO: It's important that
4 we keep that in mind.

5 Thank you, Scott.

6 CHAIRWOMAN YOUNG: Thank you.

7 Assemblymembers? Senator Krueger.

8 SENATOR KRUEGER: Thank you, Scott.

9 So, with tipped-wage issues, what
10 about all the staff who don't receive tips?
11 They're the -- I hate -- it's sexist, so the
12 bus people, busboys --

13 MR. WEXLER: Well, we call them the
14 back of the house, typically. As Senator
15 Savino was talking about, the cooks, you
16 know, the dishwashers. They are precluded by
17 federal and state law from participating in
18 the tip system.

19 SENATOR KRUEGER: But they are under
20 the -- what wage level now?

21 MR. WEXLER: They're under the regular
22 minimum wage law.

23 So they're required to pay whatever
24 the minimum wage -- by the way, if you allow

1 me, Senator, tipped workers in the restaurant
2 industry must make at least the minimum wage
3 with tips. We just do know there is some
4 wage theft, unfortunately, in the industry --
5 not all of the owners follow the law the way
6 I would hope our members do.

7 SENATOR KRUEGER: Thank you.

8 CHAIRWOMAN YOUNG: Thank you very
9 much.

10 MR. WEXLER: Thank you.

11 CHAIRWOMAN YOUNG: Thank you for
12 participating today.

13 So that ends the hearing. We do
14 have -- unless there's any other business?
15 Okay. So we do have two hearings tomorrow,
16 Mental Hygiene and Workforce Development. I
17 look forward to seeing my colleagues then.
18 And thank you for participating.

19 (Whereupon, the budget hearing
20 concluded at 4:16 p.m.)

21 - - -

22

23

24

