NEW YORK STATE LEGISLATURE

2011-2012 JOINT BUDGET HEARING

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ECONOMIC DEVELOPMENT

HEARING ROOM B
LEGISLATIVE OFFICE BUILDING

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NYS Foundation for Science	Edward Reinfurt Executive Director
The Business Council of New York State	Heather Briccetti Acting President & CEO Ken Pokalsky Senior Director Gov't Affairs
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Testimony Before Joint Fiscal Committees of the State Legislature on the FY 2011-12 Executive Budget
Empire State Development
Dennis Mullen, President and CEO
February 14, 2011

Chairman DeFrancisco, Chairman Farrell and distinguished members of the Senate and the Assembly, thank you for the opportunity to testify today regarding Governor Cuomo's 2011-12 Executive Budget proposal for Empire State Development.

Before I begin, I'd like to acknowledge the Governor's choice to succeed me as President and CEO of ESD. I have worked with Kenneth Adams for several years. Ken knows and understands the business community in this State. Under Ken's leadership, and with the guidance of the Governor's plan, ESD will be ideally positioned as the catalyst for growth and development of our State's economy.

The Governor sent a strong message in this Executive Budget that New York is open for business. The budget before you does not rely on tax increases, fee increases, budgetary gimmicks or one-shot deals to eliminate the deficit. Instead it closes the gap with spending cuts and increased efficiencies. The business community around the State has responded enthusiastically to this approach. More importantly though, the outcome of this strategy will give out-of-work New Yorkers a chance to find good paying jobs and feel a sense of dignity that comes from earning a living for themselves and their families.

At the core of the Governor's budget is a plan to redesign the way we allocate our economic development resources. Regional Economic Development Councils comprised of regional business leaders, educators, university and college representatives, local government leaders, labor representatives, State agency representatives and other stakeholders, will be the centerpiece of this new model and the means through which resources are channeled. Each Council will be responsible for developing long-term strategic plans that will guide economic development efforts and spending in their respective regions.

The Regional Councils will be chaired by Lieutenant Governor Robert Duffy and they will also be coordinating all economic development efforts from State agencies and authorities to ensure that projects demonstrating the greatest benefit to the State receive the resources that are available. This new approach will foster shared decision making and greater collaboration at all levels of government.

The success of these efforts will not be measured in just making plans, results matter and economic development efforts must be held to rigorous measures of accountability to ensure the highest return on the people's investment. That is why the Regional Councils' efforts will be held to performance based outcomes which measure the actual number of new jobs created for New Yorkers ready to get back to work.

Greater accountability is one piece of solving our economic development puzzle; the other will be fostering competition. If New York's economy is to grow, then the regions with the strongest plans to attract and retain private investment must be rewarded for their efforts and given the means to implement those plans. That is why this budget includes $200 million to be provided to the Regional Councils on a competitive basis: $130 million from uncommitted economic development funds that had been appropriated in prior years; and $70 million in Excelsior tax credits.

Increasing accountability and effectiveness is also the premise behind the revisions to the Excelsior tax credit program. Business leaders and economic development experts have called for changes to the program to make it more robust and to make New York more competitive. The Governor has heard those calls and proposes extending the tax benefit period from five years to ten years, and basing the jobs tax credit on the income tax received by the State for each new job created. These changes, as well as others to the research & development tax credit and the real property tax credit, will make the program more appealing and attractive to businesses seeking to expand or relocate here.

As you know, the Governor is also seeking structural changes to State government to help make us more competitive. One of the steps proposed in the Executive budget to achieve efficiencies and savings is the merger of NYSTAR into ESD. This is a smart organizational change that will streamline service delivery, achieve performance improvements, create efficiencies and eliminate duplicative functions.

The Governor has proposed other measures which will enhance the overall approach to economic development, such as having a Chief Diversity Officer who will work with our State agencies and MWBE partners to ensure that MWBEs, which comprise more than 50% of the business entities operating in the State, and other small businesses receive their fair share of the State's contracting opportunities. Another proposal that is aimed at helping small businesses, particularly those in our agricultural community, is an improved Excelsior Linked Deposit Program. The Governor is also seeking to bolster our manufacturing sector with a new permanent, power program, "Recharge New York", which will replace Power for Jobs (PFJ) and provide important assurance and predictability to the participating businesses.

In this Budget, the Governor has laid out a vision to rebuild our State's economy into a national model of creativity and growth, to reinvigorate the people's confidence in the stability of our State, and to restore the trust that the people of New York once had in their government. I am confident that we can make that vision a reality.

It has been a privilege and an honor to serve as Chairman, CEO and Commissioner and I wish you all the best of luck going forward.

Thank you.

Testimony Before Joint Fiscal Committees of the State Legislature on the FY 2011-12 Executive Budget
New York State Foundation for Science, Technology and Innovation
Edward Reinfurt, Executive Director
February 14, 2011

Chairman Defrancisco, Chairman Farrell, Chairman Alesi, Chairman Schimminger, and distinguished members of the fiscal and economic development committees, it is a pleasure to have the opportunity to testify on Governor Cuomo's 2011-12 Executive Budget and the Governor's vision for improving our State's economy by facilitating and accelerating innovation and technology development in our State.

Governor Cuomo's budget offers New Yorkers a chance to bring their government into the 21st century. Such a transformation isn't possible though without the willingness to adopt change. At NYSTAR, this means implementing a common sense merger with the Empire State Development Corporation. As Governor Cuomo has repeatedly said, the State's mechanisms for spurring economic growth are balkanized and uncoordinated, and New York has suffered as a result. Mergers like this one will not only help the State balance its books, but make it easier for entrepreneurs to do business here. Ultimately, the actions the Governor is taking today will ensure that New York's economic development institutions will become more user friendly, more accountable and more effective in getting New Yorkers back to work.

Over a decade ago, the Legislature created NYSTAR as a separate, independent entity to place emphasis on the economic growth that is driven by new discoveries, innovations, products and services made possible by technology. NYSTAR was empowered to partner with companies and research universities across the State and was provided funding to pursue those partnerships. We now have our technology flagships, the Centers of Excellence, as well as fifteen Centers of Advanced Technologies – each with a specific technology focus and an explicit mission to help commercialize technologies coming out of our State research institutions thereby creating more of the high paying jobs we need in this State.

The Governor's proposal takes the next logical step for NYSTAR and has united the missions of NYSTAR and ESDC while maintaining the funding for NYSTAR's grant programs within ESDC's budget. This proposal recognizes that innovation and technology should no longer be treated as ancillary to our State's economic development efforts but are the heart of economic development and must be fully integrated. In fact, Governor Cuomo has made it a focus of his economic development strategy. The Governor is committed to creating a culture of innovation and entrepreneurship on our campuses, in our communities and in partnership with our companies. We will continue to develop more effective partnerships between industry and universities. Governor Cuomo has emphasized the need for government to do more – not necessarily just with more money but with its *potential.*

That is why the Governor has called for the creation 10 Regional Economic Development Councils, each to be chaired by Lt. Governor Duffy. In partnership with Ken Adams who the Governor has nominated to head ESD, these Councils will promote partnerships with the private sector, foster effective communication between the State and the regions, and support the critical role that colleges and universities should play in growing the economy.

Working together with those in the public and private sectors and under the Governor's leadership, we will maximize the new, merged agency's potential. More than promising collaboration and cooperation, the coordination of efforts and integration of these agencies, their missions and their cultures will create a combined organization that is greater than the sum of its parts. One that will efficiently and effectively use the resources available to achieve the great potential of New York State.

Thank you for the opportunity to be here and I look forward to your questions.

The Business Council

Testimony to

Senate Finance Committee and Assembly Ways and Means Committee

Joint Legislative Public Hearings on the 2011-2012 Executive Budget Proposal

Presented by

Heather Briccetti
Acting President & CEO

February 14, 2011

The Business Council has been, and continues to be, a vocal supporter of the Governor's Executive Budget. In our testimony this morning, we urge the Senate and Assembly to follow the Governor's lead and adopt important fiscal reform, spending constraints, and governmental restructuring included in the Executive Budget. We need to adopt a no-growth budget, and avoid adding spending and taxes that are simply unaffordable for both the state's economic, business sector and its residents. Importantly, our response to the state's ongoing fiscal crisis can also result in more efficient, more effective governmental agencies and programs.

Excessive spending growth coupled with a continuing economic downturn has resulted in massive, multi-billion dollar state budget deficits. And even as New York continued its long record of underperforming the nation in terms of job creation and new investment, its budget and policy actions produced an even less competitive economic climate.

During a time of declining employment and personal income, New York has imposed more than $10 billion in new taxes and fees on its slumping economy. We have increased tax rates on personal and business income, adopted new taxes on payrolls, new taxes on health care and health insurance, new taxes on our vital financial services industry, new assessments on already high cost energy supplies, and taken away already-earned tax incentives for job creation and investments.

And even with those $10 billion in new levies, we still face a $9 billion budget gap for Fiscal 2012, and $50 billion in gaps over the following three fiscal years.

High state and local taxes, coupled with a high regulatory burden, has produced a poor business climate, as illustrated by our recent record of job growth and private investments.

Job growth in New York State has lagged behind national trends for the past two decades. New York grew at about half the national rate during the 1990's, about 60 percent of the national rate in the 2000's. Think of how much better the fiscal and economic situation our state would be in today - with increased economic activity and the state and local tax revenues it would produce – if New York had merely been "average" the past two decades.

Data shows a similar lag with regard to private sector investment. For example, in 2007, Texas saw $17.7 billion in new capital invested to expand its manufacturing base; California had $15.5 billion, Illinois got $9.9 billion, Ohio $7.7 billion and Pennsylvania $6.9 billion. In contrast, in the same year, New York saw only $4.6 billion invested, a pattern that New York has repeated every year in this decade.

Improving the state's relative economic competitiveness is the only real long term solution to meeting the state's financial, education, social service and infrastructure investment needs. We need to promote new private sector investment and the creation and retention of good paying private sector jobs, resulting in improved economic opportunity for all New Yorkers. Renewed economic growth will provide revenues necessary to finance essential government functions, and allow the state to re-invest in areas crucial to support private sector investment: transportation infrastructure, higher education and others.

Reforms included in the Executive Budget are important not only for bringing the state's fiscal house into order, but for improving New York's economic climate. We support controlling spending, restructuring programs and agencies, and placing statutory limits on state spending and real property tax levies – along with much needed mandate relief.

Even now, calls to extend the so called "millionaire tax" would only close a fraction of the Fiscal 2012 gap, and a progressively smaller share of future years' gaps. (Estimates of surcharge income in the $4 to $5 billion range for the new budget year are based on fairly optimistic personal income growth projections of 4 percent, in contrast to zero growth in New York State personal income in the 3rd quarter of 2010.) If the Executive Budget was adopted in its entirety, it leaves $9 billion in out year gaps that might be closed by improving economic conditions, or may require additional spending controls.

With few exceptions, most states facing significant budget gaps are taking the same approach, and making the same kind of tough decisions, as proposed in the Executive Budget. Adoption of the Executive Budget will help New York simply keep pace with key competitive states; failure to implement this plan will further erode the state's economic competitiveness.

In short, we simply cannot tax our way out of our current fiscal and economic problems.

In addition to expressing our general support for the Executive Budget, we would like to highlight several specific provisions of interest to The Business Council and our membership.

Excelsior - We generally support the Executive Budget's proposed changes to the Excelsior Jobs program. When adopted last year, in addition to our concerns about its limited size, we expressed concerns with the design of the Excelsior tax credits – especially the real property tax credit – and with other program components. We believe the Executive Budget makes sensible amendments that will improve the programs effectiveness.

For example, the Executive Budget would correctly apply the Excelsior real property tax credit on the *improved value* of a property, rather than the real estate taxes paid *before* the site was accepted in the program. As the state's new flagship economic development program, we also believe it makes sense to extend the program by another five years. The program's impact is improved by allowing for larger real property tax, job creation and research and development credits. We also support provisions that will allow a taxpayer to use tax credits upon achievement of interim job, investment and/or R&D targets

On one important provision, the Executive Budget provides only a partial fix. Under Excelsior, a taxpayer would have to forego any remaining Empire Zone tax credits in order to qualify for the Excelsior program. To us, this makes no sense, if there are two wholly separate investments and job creation activities that serve as the basis for Empire Zone and Excelsior benefits, respectively. This year's proposal would disqualify a taxpayer from receiving Empire Zone benefits at any location admitted into the Excelsior program, rather than requiring the taxpayer to relinquish all statewide Empire Zone credits. This provision needs further amendments, in order to preserve tax credits already earned, and to be fully effective in promoting new investments and job creation.

Overall, these amendments make Excelsior a stronger program, and will assure significant economic payback to the state. At the same time, the program's cost to the state will remain fixed at last year's level, while overall economic development capital is reduced by about 25 percent.

Recharge NY - We also strongly support the "Recharge NY" proposal that was introduced with the Executive Budget, and now has been introduced as a Governor's program bill. "Recharge NY" is a much needed replacement for Power for Jobs and related economic development power programs. The current proposal has a number of key features that we support. These include: allocation-based benefits; longer term, seven year contracts; a more appropriate range of criteria rather than exclusive consideration of head count; and others. It also results in nearly double the amount of benefits currently available, and will allow for new applicants and new participants for first time in 6 years.

This new statewide program will be effective in encouraging new capital and efficiency investments, the retention and creation of well-paying jobs, and will produce significant economic returns to the state.

The Power for Jobs program has eroded in size and effectiveness over the years, as it has limped along on one year extenders. Perhaps most telling, even thought the program is authorized at 450 MW of benefits, currently less than 300 MW are allocated.

The need for a new program is clear. As a stand-alone Article VII bill with little fiscal plan impact, we urge both houses of the legislature to pass it NOW.

Department of Financial Regulation - The Business Council and its financial service industry members are evaluating the Executive Budget proposal to merge the Banking and Insurance Departments into a new Department of Financial Regulation. This proposal raises many questions regarding the future regulation of one of the state's most significant, dynamic industry, and is being done at the same time the industry, and the federal and state governments, are working on implementing major federal regulatory reform.

We urge the Governor and Legislature to assure a thorough review of this proposal before final legislative adoption. In particular, the Council and the industry are evaluating the budget's proposal for expanded regulatory and enforcement authority for the new Department of Financial Regulation, and the appropriateness of proposals that would increase the legal exposure of the business community and taxpayers. This consolidation proposal does not significantly impact the state's deficit reduction efforts, as both Insurance and Banking departments are fully funded by industry fees, so final action could be taken outside the budget adoption process, if necessary to allow for a complete and thorough review.

Contract Procurement – We support several contract procurement reforms included in the Executive Budget. For example, one proposal would eliminate certain non-instructional shared services provided to school districts by BOCES from reimbursement through state aid. This change does not preclude a BOCES from providing services to a school district; it merely stipulates that if this service is being provided it is not eligible for state aid under the shared services reimbursement state aid category. This proposal addresses concerns raised by businesses about BOCES providing services beyond their intended mission and about unfair competitive advantages BOCES enjoyed by being able to bill the state for the services, masking the true cost of the service being provided. This amendment is particularly important to small business, including M/WBEs, that do business with local government.

Conclusion - The Business Council of New York State supports Governor Cuomo's plan for fundamental changes in how New York State develops its budgets, and for advancing innovative approaches to managing State government.

Controlling spending will force us to make programs more efficient - and likely more effective at the same time – and will help produce an economic climate that will support restored economic growth with new investment and private sector jobs.

We believe the Executive Budget provides the right blueprint for the future of New York State and, with few amendments, support its adoption.

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Joint Legislative Public Hearing on the Executive Budget

Economic Development

February 14, 2011 – 1 p.m.

Chris Wiest, Vice President, Public Policy and Advocacy Rochester Business Alliance

Chairman DeFrancisco, Chairman Farrell and members of the joint fiscal committees, thank you for the opportunity to speak today. My name is Chris Wiest, I am the Vice President for Public Policy and Advocacy at Rochester Business Alliance. I am here today to offer comments and concerns about this year's Executive Budget, on behalf of Unshackle Upstate, a bipartisan coalition of over 80 business and trade organizations representing upwards of 70,000 companies and employing more than 1.5 million people.

Year after year, New York has spent billions of taxpayer dollars on economic programs and community projects aimed at boosting the economy. But simply tossing money at the problem, without a targeted plan focused on job creation, has led to a limited impact on the state's economy. With the exception of localized achievements, New

York's employment statistics demonstrate that the state economy has not responded to this haphazard injection of taxpayer funds.

New York State, once a driving force in the nation, now struggles to maintain its economic position. Particularly hard hit is the Upstate region, which is mired in decline despite a proud history as a center of innovation and manufacturing.

To build on the state's strengths and help revitalize the Upstate economy, New York needs a focused, targeted plan for economic development. Unshackle Upstate believes strongly that economic development programs do little to address the core and fundamental concerns that business leaders have about rising health care costs, taxation, and excessive government regulation. To answer these concerns, Unshackle Upstate proposes that New York state reduce taxes and amend anticompetitive laws and regulations that raise business costs, hamper growth and undermine the ability to compete in a global marketplace. All of New York State would benefit from these actions.

Having said this, I want to stress that Unshackle Upstate supports the Executive's proposed budget precisely because we believe it recognizes and addresses many of our core and fundamental concerns. Unshackle believes the Executive's budget proposal taken in total puts New York on a path toward a better future.

Recognizing that rightsizing the State of New York – and therefore reducing taxes - cannot and will not happen overnight, Unshackle stresses the need for economic development programs that help reduce the cost of conducting business in the Empire State.

This year, the Executive is proposing a number of measures to advance the economy while reducing costs.

Unshackle Upstate supports efforts to reduce overhead at the State's Economic Development entities, and as a result, supports the Governor's proposal for the NYS Foundation of Science, Technology and Innovation or (NYSTAR) to be consolidated into the Empire State Development Corporation (ESDC). We do have some concerns however, that this move could hinder the original mission and intent of NYSTAR, a small, but effective foundation. Unshackle Upstate is concerned that the Foundation's role in technology transfer could be lost, although the proposed regional economic development councils may help to address this concern.

Additionally, Unshackle Upstate urges the administration and Legislature to achieve additional administrative efficiencies, specifically a reexamination of the role of the Department of Economic Developments bureau of Statistics and the Department of Labor's similar responsibilities.

Unshackle Upstate strongly supports efforts to establish Regional Economic Development Councils, and believes that Lt. Governor Robert Duffy is the correct choice to chair the 10 regional councils. These councils will play an essential role in promoting partnerships with the private sector, fostering effective communication between the State and the regions, and enhancing the critical role that colleges and universities play in creating jobs and attracting companies.

Unshackle Upstate is concerned that past, similar efforts to regionalize Economic Development have been short lived and unproductive. We urge the members of the Legislature and the Executive to review public authorities law section 3154. This section of law established a regional partnership program, which due to a conflict between the Legislature and the Executive never fulfilled the Legislature intentions.

The Regional Partnership program would have created a regional collaborative organization, designed to further strengthen and improve the ability of emerging and established technology-related companies to grow and prosper in New York state. The purpose of the Regional Partnership was to ensure that companies and entrepreneurs could commercialize emerging technologies by gaining quick and comprehensive access to management expertise, financial resources, technical acumen, and other resources needed to succeed. These partnerships were intended to coordinate the region's existing resources, enabling emerging and established technology companies to solve challenges and commercialize new technologies. A Regional Partnership could have helped emerging companies - whether they were a spin-off from a large corporation or a university start-up - to, find technical, financial and business development resources.

Unshackle Upstate believes that the Regional Partnership program simply must be revived and expanded.

However, we recognize that any effort to establish long-term regional input into economic development programs cannot occur simply through an Executive Order, and stress that for effectiveness, the Regional Economic Development Councils need to be established in law. These new Regional Councils are reported to be comprised of key stakeholders, including local business, community, academic, municipal, state government and labor representatives. We ask that each Regional Council also include a representative from the regional Chamber of Commerce, as a way to ensure necessary input and perspective of the area's employers and job creators.

In the Rochester area, I would expect that regionally significant projects such as the new facility for the Institute for Sustainability at the Rochester Institute of Technology would be priorities of the Rochester Area Regional Council.

The Institute will lead initiatives in education, research and technology transfer, building on RIT's strongest academic programs and regional assets in sustainability and related fields, and driving opportunities for job growth by positioning Upstate New York as a global hub for the green-tech economy.

The project could return up to $650 million in regional earning potential, including 6,000 new jobs regionally; 100 new professional and technical positions at RIT and 160 construction jobs over two years.

Another key project is the Health Sciences Center for Computational Innovation, which would combine the technologies, expertise and talents of two of New York's largest employers – IBM's high performance computing resources and the University of Rochester's robust biomedical research enterprise. The center will also position Upstate New York as a hub of health innovation and technology development, strengthening and potentially expanding University of Rochester's research partnerships with industry leaders such as CareStream, Bausch + Lomb, Siemens, Samsung, Intel, Johnson & Johnson, Pfizer, and others.

This project could return **384** jobs, including 200 new and existing scientific jobs which, when leveraged with new federal grants, would create approximately 154 new research positions.

Throughout Upstate New York, each regional chamber of commerce has a similar transformative project that should find a voice through the Regional Council's. This underlines why Unshackle Upstate urges that the regional councils must be in law, and that each council include the perspective of the regional Chambers of Commerce.

Unshackle Upstate supports the provision in the Executive Budget amending the Excelsior Jobs Program. These changes strengthen the Excelsior Jobs Program by extending the current tax benefit period from five to 10 years, but do nothing to address the limited resources devoted to the program and the lack of real regional input.

The Executive has proposed that the Regional Council's would provide input on $7M in projects on an annual basis, but this is not enough. In the past, economic development programs were guided by local input. A continued and significant failure of the Excelsior Jobs Program is the limited regional role.

Unshackle Upstate is concerned that when fully effective, the value of the Excelsior Jobs Program is capped at an amount that will be less than half of the current value of the Empire Zone Program. We're concerned that the value of the incentives may not be sufficient enough to generate job creation and capital investment – particularly in Upstate New York, where we are fighting hard for every new private sector job.

Unshackle Upstate firmly believes that the most direct way to create more jobs in New York state is by reducing the costs of doing business in New York State.

We at Unshackle Upstate believe it is not enough to point out problems, you must also offer solutions. In that spirit, Unshackle Upstate wants to point out to you a report released by the Rochester Business Alliance – the regional chamber of commerce for Greater Rochester – called the New York State Economic Survival Guide.

The New York State Economic Survival Guide cites 10 critical areas for reform, and calls upon the Legislature to take action on them in the 2011 session. These items are:

1. Capping property taxes and state spending at no more than 2 percent
2. Reducing unfunded mandates, using existing structures to assess the impact of laws or regulations and make needed reforms
3. Ending the double standard of public-employee compensation versus private employees

4. Trimming the cost of New York's Medicaid program - the most expensive in the nation
5. Controlling the debt burden through a cap on increases and a ban on back-door borrowing by state authorities
6. Improving the competitive climate for employers by completing Workers' Compensation reform while rejecting costly increases in unemployment insurance and other mandates
7. Reforming economic development through regional councils under the leadership of the lieutenant governor
8. Encouraging innovation in education by eliminating the cap on charter schools and passing the SUNY Public Higher Education Empowerment and Innovation Act
9. Reducing the number of state agencies, authorities and commissions by 20 percent
10. Lowering the cost of energy through reduced utility taxes and assessment.

The Rochester Business Alliance is one of the founding partners of Unshackle Upstate, and this guide is consistent with Unshackle Upstate's mission, which calls for reducing state, and local spending, reducing New York's taxes, fees and assessments, reducing mandates and reducing state borrowing.

On behalf of Unshackle Upstate, I urge you to study this report, as well as the ideas offered in this testimony, as you prepare the 2011-12 New York State budget.

Thank you for your time today.

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State of New York Joint Legislative Hearings on the 2011-12 Proposed Executive Budget Monday, Feb. 14, 2011 Hearing Room B, Legislative Office Building, Albany New York

Testimony Before Joint Legislative Public Hearings on N.Y. State Proposed Executive Budget Economic Development Hearing

By Edward M. Bartholomew; Economic and Community Development Director of City of Glens Falls and CEO of the Greater Glens Falls Local Development Corporation and Glens Falls Industrial Development Agency (42 Ridge Street, Glens Falls, NY 12801(518 761 3833P, 518 798 5029 F, gfeb@nycap.rr.com)

Thank you Chairman DeFrancisco, Chairman Farrell, members of this Committee and other distinguished members of the Senate and Assembly. I am Ed Bartholomew, Director of Economic and Community Development for the City of Glens Falls and CEO of the Greater Glens Falls Local Development Corporation and Glens Falls Industrial Development Agency.

The theme that is echoing across the Empire State:

"New York is at crossroads and we must seize this opportunity" as stated by Governor Andrew Cuomo.

"We must continue our effort to spur the creation of jobs in every region of our state and we must continue to build New York's innovation-based economy said Assembly Speaker Sheldon Silver.

I thank the committee for your time today and we applaud the efforts of this committee as we roll our sleeves to get to work.

The action by NY Senate Majority in adopting legislation early in the session – (The Job Creation Act S 1891) is encouraging and I concur in the statement of Chairman Senator DeFrancisco that "efforts must be undertaken to curb the tide of businesses and jobs leaving New York".

Senator Alesi (Chair of Commerce, Economic Development and Small Business) identified this legislation Job *Creation and Retention Package* as being the first legislative proposal passed in the Senate this year – with bipartisan support – emphasizes the seriousness of efforts to revitalize Upstate New York, and reinvigorate New York's struggling economy. This is a comprehensive approach to creating new jobs, and no one could argue that New York doesn't need new jobs right now."

And perhaps this attitude and commitment of economic development can be best summarized by the following statement " the best economic development program is to improve the job creation climate for everyone" from the Chair of the Assembly Economic Development Committee Robin Schimminger.

As earlier mentioned; the advancement of legislation in recent days by the New York Senate concerning creation of tax credit for new jobs should also be supplemented with the inclusion of tax credit for hiring from the unemployment roles as proposed by Governor Cuomo and providing tax credit for retaining jobs that are in jeopardy of leaving New York .

We in this Upstate-Greater Glens Falls Region appreciate the ongoing efforts and hard work of New York State Senators Betty Little and Roy McDonald along with the active roles of US Senators Schumer and Gillibrand. We are working with newly elected Congressman Chris Gibson on the economic development front.

This past Friday Mayor Jack Diamond who is in the process of forming a local council of municipalities throughout a 3 county area held an informative legislative update from Senators McDonald and Little in Glens Falls which was attended by nearly 75 municipal and school officials.

This Greater Glens Falls Economic Development Group is planning an economic summit with Congressman Chris Gibson, State and Federal agencies on business development in this region in March. We would welcome your participation at this forum.

The key question today:

How can we make economic development work in New York?

First the need and the will to adopt consistent state policies and the commitment to stay the course.

*To Reduce tax burden on businesses and tax payers,

*Commit to health care cost containment—even with tax reductions, the need to address the continued rising health care still put NY State at a disadvantage,

*To insure quality of life for the employees-without this aspect in play our efforts to maintain businesses or to attract businesses and their prospective employees to New York will not succeed.

The characteristics –action items that will unite economic development throughout our State is developing an understanding, evaluating and identifying the successful business climate:

Need for roads, bridges, highways, airports, and rail,

Infrastructure water, waste water, storm water issues,

Transit needs,

Broad band-internet,

Workforce, retraining,

Energy costs and needs,

Availability of financing,

Education,

Expedited planning and permit process for construction, And as I was outlining these characteristics—perhaps you were reviewing your region and were evaluating the respective needs.

Well, that is vision of the Governor and the value - beauty of this approach –10 regional economic development councils for the diverse regions in NY that will be chaired by Lt. Gob Bob Duffy.

For this regional Council approach to be effective we need to move from the concept to the details; I would suggest that the Regional Councils consider the following:

develop long term economic plans which include the identification of state wide targeted industries and for the regional councils to develop and identify regional and local targeted industries (including necessary education and skills for these industries),

be able to immediately respond to developing situation both from attraction and retention of businesses and industries –announced job layoffs and shut downs. (expand the rapid response concept of DOL to a comprehensive response with all involved agencies participating),

expand the proposed representative nature of the region so as to insure that representatives from labor, business education, utilities, economic development health services, hospitality, financial services , medical devices serve and to consider appointments to the Council be undertaken by the Governor, Senate , Assembly and business ,labor and local municipalities ,

review all current rules and regulation of state agencies that relate to economic development and provide comments back to the Governor and Legislature. Since the State is designating the regional councils as the entity to secure economic development projects in timely manner; an examination of current rules and regulations of the various agencies should be undertaken. We are all too aware of projects being delayed –thwarted by the mountains of New York rules and regulations. The proposal should require all rules and regulations that relate to economic development be reviewed by each region and report their findings with recommendations back to the Governor, Lt Governor and Legislature.

Additionally the Legislature might consider the imposition of a moratorium on the establishment of new rules and regulations relating to economic development,

be granted access to the decision makers in the respective state agencies .The Councils need to have those direct connections to the appropriate state agencies so that the Councils are able to respond and act promptly to economic development programs and projects,

appoint federal liaison to the Councils. In 2011 economic development projects are being finalized and implemented as the result of the participation and involvement of several agencies that extends to the federal government and their programs–therefore for the regional councils to be effective and result orientated; the need for federal liaison on each council is critical,

Review and participate with opportunity to comment with recommendations on the proposed economic development programs as presented by Governor Cuomo:

Excelsior Program   Revitalize NY Economy, Strategic Companies, Innovation Economy,Rebuild NY State Infrastructure Bank. Since the Councils are being charged in implementing economic development programs in their region; the need exist for the councils to have input into these proposals –programs before they are implemented. (As an aside; these economic development programs should be established in a manner that reduces the role and expense of consultants in any application process. With the allocation of funding being critical, funds of important economic development projects should not be reduced substantially due to the State requirements that cause applicants to expend funds with the hiring of various consultants to meet the grant conditions.

Provide adequate funding to assist the Councils in the preparation of required research and analysis of regional and local economic development clusters. In our region, Mayor Diamond in furtherance of the Federal and State emphasis on Cluster Development has commenced this process by convening area municipalities 3 counties (mayors, supervisors, planners) to plan, identify and develop a regional approach regarding cluster development).

Finally the nomination of Ken Adams to the position of President and CEO of the Empire State Corporation by the Governor is to be commended and we would ask that the process for his confirmation be expedited so that Ken can participate in the formative stages of the new economic development programs and creation of the 10 regional councils.

Our inspiration for change can come from the following:

"The Country needs... the Country demands bold, persistent experimentation. It is common sense to take a method and try it, if it fails, admit it frankly and try another. But above all, try something". (Theodore Roosevelt)

In conclusion; again thank you to the Committee for permitting our upstate City Glens Falls to participate and comment on these exciting economic development proposals.

New York State
HOSPITALITY
& TOURISM
Association

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Testimony Submitted by Jan Marie Chesterton, President,
New York State Hospitality & Tourism Association

At the Joint Legislative Budget Hearing
Regarding Economic Development

February 14, 2011
11 a.m.

I am Jan Marie Chesterton, President of the New York State Hospitality & Tourism Association and Administrator of the Tourism Industry Coalition of New York State. I would like to start by thanking Senator DeFrancisco and Assemblyman Farrell for the opportunity to comment on the Economic Development Budget items included in the 2011-2012 Executive Budget proposal, specifically, the Tourism marketing commonly known as the I Love NY program and the Tourism Matching Grant program.

BACKGROUND

The New York State Hospitality & Tourism Association (NYSH&TA) is the oldest lodging Association in the country - founded in Saratoga Springs in 1887. We have nearly 1,300 member businesses and individuals in the lodging and attractions industry, and we currently represent 70% of the total lodging room inventory in the State.

The Tourism Industry Coalition represents 20 private-sector industry organizations with Tourism as its core product. Its members include:

- Albany County Convention & Visitors Bureau
- Campground Owners of NY
- Canal New York Marketing & Business Alliance
- Cooperstown/Otsego County Tourism
- Dutchess County Tourism
- Finger Lakes Tourism Alliance
- Hotel Association of New York City
- Long Island CVB & Sports Commission
- Museum Association of New York
- New York Power Authority
- New York State Hospitality & Tourism Association
- New York State Restaurant Association
- New York State Travel & Vacation Association
- New York Wine & Grape Foundation
- NYC & Company
- NYS Association of CVBs
- NYS Tourism Promotion Agencies Council
- Oneida County Tourism
- Ski Areas of New York
- Sullivan County Visitors Association, Inc.

NYSH&TA understands the precarious financial situation that the State is in and we look forward to working with the Legislature and the Governor to return New York State back to prominence.

The Tourism industry is an unparalleled industry that is a combination of creating and maintaining jobs, as well as providing the State with a return on its investment in Tourism marketing. In New York State, **One out of every 13 jobs** in private employment is a Tourism job. The Tourism industry is a part of each region of the State, providing employment to all levels from management to minimum wage. An entrepreneurial industry, Tourism is not only made up of corporations, but **small business owners** with long standing roots in their communities. Further, return on investment in the Tourism industry is unparalleled in any other sector of the economy. New York and its residents reap the benefits of the revenue Tourism provides and this happens only months after the State invests in Tourism. For these reasons, it is imperative that the Legislature and the Governor recognize that Tourism is an industry that is an investment multiplier producing revenue for the State at a rate of seven to one. Consequently, Tourism should be a top priority and a key piece of any economic strategy that **produces revenue**, not consumes it.

On behalf of the Tourism industry, I am here to urge the Legislature, to at least maintain the current funding level - $7.4 million - for State Tourism marketing. Given its proven track record as a revenue source for State and local coffers, Tourism is not only a wise investment, but a critical one that yields unmatched and well sustained returns for New York's economy. Any further reduction to the Tourism marketing budget would place us at a further competitive disadvantage as we vie with neighboring states for the travelers' top-of-mind awareness.

TOURISM CREATES JOBS

According to independent studies, Tourism jobs have increased by more than 22% over the last 20 years, compared to an increase of less than 6% for the rest of private sector employment. In 2009, over 660,000 jobs were directly sustained by visitors to New York. Tourism is the 7th largest private sector employer of the State based on direct Tourism employment. Whether it is restaurants or retail stores, hotels or amusement parks, Tourism sustains employment at every level; from entry to executive positions.

This effect is prevalent in all regions of New York. Tourism employs between 6% and 17% of the people in each region of the State, demonstrating its integral place in the economies throughout the State. Tourism sustains people's livelihood in each region and in some communities it is the sole industry. Investing in Tourism **provides jobs** whereas other industries are laying off workers, putting a strain on families, and increasing dependence on public assistance. The State has many programs that are aimed at creating jobs. Tourism does just that.

TOURISM NEEDS INVESTMENT

Tourism marketing largely relies on State investment. The Tourism Matching Grant program is a local program which provides focused support that is matched locally and used to market more specific attractions New York has to offer. The **I Love NY** program provides statewide marketing strategies establishing partnerships and implementing programs to encourage visitation. The **I Love NY** logo is in itself a resource for the State since it generates revenue from licensing to commercial entities. It is our position that the revenues generated from the licensing of the **I Love NY** logo should be dedicated to tourism as part of a cohesive tourism marketing strategy in these difficult economic times.

The businesses that make up the Tourism industry have lived through these tough economic times of limited commercial bookings and fewer vacations. Marketing is what will bring the visitors back and it is incumbent upon New York to ensure that the Tourism industry is a powerful one.

In 2009, New York State spent **$5.465 million** on Tourism marketing. Unfortunately, competition for tourist dollars is intense, as New York is consistently outspent by aggressive, well-funded marketing campaigns all seeking to attract visitors. In fact, in 2009:

- ♦ **Pennsylvania spent $20 million** on statewide Tourism marketing
- ♦ **California spent $67 million**
- ♦ **Florida spent $48 million**

The economic downturn has transformed vacations into "stay-cations" in which travelers decide to travel much shorter distances than they have before. It takes advertising and marketing investment to ensure that people are aware of the many and varied destinations that are a short drive away, right here in New York.

The millions of leisure travelers in the Northeast have the choice of many states, and we must ensure that the leisure traveler is aware of the skiing available in the winter and the camping, lakes, and beaches available in the summer. The almost infinite number of travel destinations, from wineries to amusement parks, historic sites to sports arenas, are all within a few hours drive for millions of people. To have a neighboring state out-invest us is disconcerting at best. Investing in Tourism marketing programs results in visitor spending, which, in turn, results in tax revenues.

TOURISM CREATES RETURNS

The benefits collected in the form of state and local taxes alone are worth the investment, especially considering the limited resources with which New York can invest. Tourism is an investment that produces revenues. Last year, Tourism to the State generated **$6.2 billion for state and local government coffers** from visitor spending over $45 billion. Few other lines in the budget can assert that fact. The revenue Tourism produces trickles down to impact every citizen in the State. In the absence of Tourism activity, the average New York household would pay an **extra $778 per year** to cover the gap in state and local taxes.

The Tourism industry is full of businesses that must operate with a balanced budget who understand that spending must be limited. But spending on Tourism is an investment that will return revenues, and will return revenues fast. An investment in Tourism today brings revenues into state and local coffers this summer. The **short turn around** of an investment in Tourism makes it a safe, positive investment with a tangible benefit.

As an example, the tourism marketing programs assist hotels in packaging overnight stays with local destinations this summer. As a result, travelers will stay overnight in the community. The travelers will eat in restaurants, spend in shops, and visit destinations, maybe taking in more sites than originally planned. The State and local tax revenues generated by these travelers provide the State a significant return on marketing investment. This example is repeated across New York and the benefits multiply as businesses open or expand to support the sustained visitation and hire additional employees to serve the travelers.

In conclusion, NYSH&TA and the entire hospitality and Tourism industry is calling upon the Governor and Legislature to fully support at least maintaining funding for Tourism marketing, thus allowing the industry to return the State's investment seven times over and help restore New York to its pre-eminent position as the number one destination in the United States.

Thank You.

New York Biotechnology Association Testimony In Support of Extending the Qualified Emerging Technology Company Facilities Operations and Training Credit

The New York Biotechnology Association ("NYBA") represents biotechnology interests for over 250 corporate member companies, universities, research consortia and growers in New York. Accordingly, NYBA attempts to ensure that New York realizes the economic benefits of a strong bioscience base.

NYBA submits this testimony in support of extending the Facilities Operations and Training Credit portion of the Qualified Emerging Technology Company program. The Qualified Emerging Technology Company tax credit program ("QETC") was designed to foster investment and growth in the small, high technology companies that the state's economy will increasingly rely upon. It is no surprise that the state is focused on these types of jobs. They are higher paying and have more indirect economic benefits than most any other sector of the economy.

The state developed the QETC program in 1998 because it was obvious then that the state needed to encourage high technology economic development. However, the program was severely underutilized. Accordingly, the state developed the QETC Facilities Operations and Training Credit ("FOTC") in 2005 to make a greater effort to encourage the growth of high technology companies in the state.

The program provides a refundable tax credit for investments in facilities, research and development operations and worker training. In other words, small companies are rewarded with an actual refund check for making investments in their own growth here in New York. Unfortunately, the FOTC portion of the QETC program is slated to expire at the end of this year. This credit must be extended, and we write this memorandum in support of such an extension.

The FOTC provides a credit of up to $250,000 per year for four years, *and the credit is fully refundable*. It is calculated by aggregating the following: a research and development property credit for costs related to the purchase or lease of property to be used for research and development; a qualified research expense credit for costs associated with in-house research and development; and a high technology training credit for training expenses of employees at colleges or universities in New York.

The benefits of this credit are generous, and so additional criteria beyond QETC eligibility were developed to ensure that only growing high technology companies received the credit. To be eligible, an entity must have less than $20 million in gross revenue, fewer than 100 full-time employees (at least 75% based in New York), and a ratio of New York-based research and development spending to net sales of at least 6%.

As planned, small and medium sized businesses in strategic high technology fields throughout the state have come to rely upon these credits. For example, more than 150 members of the Aerospace and Defense Diversification Alliance in Peacetime Transition use the credit, as do 50 members of the New York Biotechnology Association. Companies in the photonics, nanotechnology, and information technology industries also use the credit.

The FOTC has been especially crucial in the past two years. With the collapse of the financial markets in 2008, commercial banks refused to offer the revolving loans that growing companies rely upon. Many high technology businesses in the state were able to weather the economic disruption because they were able to use the refundable credit in lieu of other funding sources that were unavailable at the time.

The FOTC is also critical because of uncertainty regarding other economic development tools. The Empire Zone program is being phased out. The new Excelsior Jobs Program does not target small growing high technology companies effectively, and Governor Cuomo has proposed significant changes to how it operates.

This would be a terrible time to kill one of the state's most effective tools for encouraging high technology economic development. In fact, the FOTC is one of the few programs that makes New York competitive for high technology growth. Although we spend billions of dollars on research and development, other states often experience much of the economic benefit as our companies increasingly move to locales with lower tax rates, energy costs, and labor costs. Or, other states lure these companies away from New York with aggressive benefit packages.

Thankfully, no other state offers a refundable tax credit like the FOTC. It must be renewed to make New York a competitive place to do business and to foster the growth of one of the most critical sectors of the economy.

Finally, allowing this tax credit to expire would be the equivalent of raising taxes on growing high technology companies: the very companies that the State is relying upon to lead us to an economic recovery. I urge the legislature to ensure that the budget provides for the extension of this credit.

If you would like further information regarding this credit, and its importance to the biotechnology sector in New York, please contact Executive Director Nathan Tinker at (631) 444-8895.

JMJ

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NYSTAR® designated
STATE UNIVERSITY OF NEW YORK AT BUFFALO
CENTER FOR ADVANCED BIOMEDICAL AND
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Joint Legislative Public Hearing on 2011-2012 Executive Budget Proposal:
Topic "Economic Development"
Albany, New York
February 14, 2011

Testimony from:

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Thank you for the opportunity to submit testimony regarding the 2011-2012 Executive Budget Proposal as it relates to economic development. I am Marnie LaVigne, Director of Business Development for the University at Buffalo Center for Advanced Biomedical and Bioengineering Technology (UB CAT), which is housed as the Center of Excellence in Bioinformatics and Life Sciences. I am pleased to speak to you on behalf of my colleagues from the 15 Centers for Advanced Technology (CAT) across the State. We are especially grateful that the executive budget includes continued funding for the CAT program in recognition of the importance of investing in our state's new economy as part of our economic recovery.

Both NYSTAR and the legislature have appreciated the importance of the CAT program in turning our higher education innovations into new products and services that grow our private sector, while making people's lives better. We thank NYSTAR for evolving the program since its launch in 1983 to reflect the commercialization needs of new technology sectors, such as biotechnology, energy, and informatics, and we thank them for developing the unique processes involved in operating this program, where they have attended to the unique needs of facilitating industry and academia collaborations. That is to say, that NYS companies like to use this program because it operates smoothly in a way that clearly advances their businesses. As NYS considers its economic development programs, the best way to insure successful technology-based economic development is to involve those experienced in working with high-tech, entrepreneurial environments that know the language of both the public and private sector.

University at Buffalo
The State University of New York

New York State Center of Excellence
in Bioinformatics
& Life Sciences

What does the CAT do?

Each CAT program addresses a target technology-based sector by investing in technology commercialization projects and resources, business development, and workforce training. Our unique contribution in the economic development arena is our ability to leverage the research and development assets within our higher education institutions, alongside the provision of uniquely qualified business support, to drive growth of high-tech industry.

Building a high-tech economy in industries including life sciences, renewable energy, and advanced manufacturing, requires a combination of a) technology innovation, b) capital or funding, and c) workforce. Our institutions are major drivers of the technology innovation and talent, so we are well positioned to leverage these elements in a way that typical community-based economic development groups cannot. Additionally, we appreciate the unique requirements of providing both capital and specialized expertise to our high-tech firms in ways that differ from our traditional industry support. We know that growing these new economy firms requires a different type of attention to factors such as a) fundraising, b) technology protection, ownership and development, and c) regulatory matters.

Regions known for high-tech economies have assembled the resources to address all these needs, which is something that CATs are trying to facilitate. The recipe for growing high-tech industry, revenues, and jobs is dependent upon a robust pipeline that addresses these factors in what we have all come to know as the 'valley of death,' where there is a lack of resources to facilitate moving technology from the point of discovery to a product or service in the marketplace that creates new revenues and jobs. This is where the CAT serves a key role.

What is our Impact?

The CAT program has consistently shown a better than 20 to 1 return on economic impact with some centers delivering as much as 100 to 1 return. Economic impact is measured and validated annually by NYSTAR in terms of job creation, product revenues, private investment, and other non-state extramural funding.

Let's take UB CAT as an example. The UB CAT showed nearly a 50:1 economic impact return last year and better than 40 to 1 over the preceding two years. Our center is ideally co-located within the Center of Excellence in tandem with the entire Buffalo Niagara Medical Campus and the region-wide effort to grow the life sciences industry. We take advantage of dozens of research faculty, facilities, business development, and university resources to help a) launch new firms, b) grow existing businesses, and c) attract relocating and expanding companies to the region. We have been a critical partner helping our region launch over 50 new life sciences companies since 2001. One of our success stories is Empire Genomics, a firm that spun-out from the Human Genome Project work conducted at Roswell Park Cancer Institute, where it has used CAT faculty, equipment, facilities, funding, and business and workforce development programs to launch and grow its genetic testing business to a million dollars a year in product revenues, while raising a million dollars in private investment and creating a half-dozen high-paying jobs.

Similarly, the UB CAT has supported Buffalo's first drug company to take a UB technology and develop it locally instead of licensing it out of state. Kinex Pharmaceuticals is co-located with the UB CAT, where it has used the clean room facilities, equipment, faculty, and funding to develop and test its drug technology, in addition to participating in numerous fundraising and business development programs. The company has already brought over $20M in private investment into our community and created 15 high-paying jobs even before having any products on the market, where it has achieved a major milestone of having its first drug in Phase II clinical trials for cancer patients.

The UB CAT also helps businesses grow through relationships with other firms. We have been assisting a small medical device firm, Medical Acoustics, with its new product, called the Lung Flute, for diagnosis and treatment of respiratory conditions. UB CAT resources have enabled the company to redesign the device for large scale production, conduct clinical trials, and move its manufacturing from out-of-state to one of our local contract manufacturing firms, Polymer Conversions, thereby growing two high-tech firms in the region at the same time. Even larger firms, like CTG (formerly Computer Task Group), can benefit from UB CAT resources, where collaboration and co-location with our computer science, biostatistics, and clinical experts have resulted in a hundred new company jobs in the past three years to work on their new electronic medical record and healthcare analytics projects. Every CAT has its own unique portfolio that makes the most of our state's cutting-edge higher education institutions on behalf of expanding their regional high-tech industry.

It is important to note that these new economy firms do have high-end, high-paying jobs, but they also present an entire career pathway of technical and non-technical jobs including entry and mid-level positions, often in large numbers, especially in operations involving advanced manufacturing or extensive lab operations. Our higher education institutions, including community colleges, afford the training to allow the underserved, as well as the average person in the community, to reach their potential in these highly varied, highly rewarding job opportunities in high-tech industries. CATs help spread this message through their workforce development efforts, such as the program developed by the UB CAT to promote career pathways in life sciences in Western New York (www.isciwny.com) to engage both students and adults in the whole community in new economy opportunities.

Among the numerous success stories across the CATs in this state, CAT programs also help bring federal funding back the NYS for individual firms and for regional efforts. We align with federal initiatives that not only net additional dollars to our region from traditional research and technology commercialization sources, but also economic development programs. The Obama Administration just announced Start-Up America in partnership with key groups like the Kauffman Foundation, who has issued seminal reports over the past two years showing that virtually all net new job growth in the US comes from companies five years old or less. As such, Start-Up America is seeking to drive new business growth particularly in high-tech sectors. I am pleased to report that a number of CATs will be represented in a consortium that has paired up with one of the key partners in this new federal program, Jumpstart America, based in Cleveland. This past Fall, our nineteen-county region across Western and Central New York, including Buffalo, Rochester and Syracuse, won a federal grant through the Economic Development Administration to work in concert with best practices from

JumpStart's Cleveland experience, where they have been able to drive over 800 new jobs in start-up firms in a few short years. Our goal is to build on the success of NYS programs like CAT, combined with nationally-recognized best practices to create the full entrepreneurial ecosystem of venture funding, entrepreneurial talent and support programming. Our pilot effort promises to serve as a model for the rest of NYS.

While NYS is consistently among the top states in this country for research expenditures and innovations resulting from that investment, we are working on having the same top rating for being a high-tech economy, a place where people can live and work in a rich economic environment. Part of our challenge is to have consistent and robust funding for technology-based economic development. We know, for example, that NYS ranks 3rd in the amount of venture capital under management in the country, however, it only keeps 9% for in state investing, while states like California keep more than 70% of its venture capital for in state investment.[1] This puts our state at a serious disadvantage when it comes to taking our innovations from the lab to the marketplace, so we still see our high-tech business opportunities go elsewhere. Indeed, the CAT is a critical component in stemming this tide, where even with funding that is slightly less than the original amount provided when the program launched in 1983, we are making tremendous strides.

Thus, we are especially grateful to be a vital part of the executive budget. We gladly build on our program success to continue leveraging our higher education-based assets on behalf of this state's economic future, where our goal is to not only to be a top tier state for its research innovation, but also for its innovation economy. We look forward to our ongoing role as a vital part of NYS' economic development initiatives.

[1] *Venture Capital and Seed Activity in NYS – Part I & II*, www.seedny.org

2011-2012 JOINT LEGISLATIVE BUDGET HEARINGS

Monday, February 14

Economic Development

Testimony Presented By: Business Outreach Center Network (BOC), Inc.

Good morning. My name is Kyle Murray and I am here today to present testimony on behalf of Nancy Carin, Executive Director of the Business Outreach Center Network, otherwise know as BOC. Thank you to the Chairs, Senator Alesi and Assemblyman Schimminger, for allowing me this opportunity to speak to the panel today.

As you know, the Executive Budget establishes 10 Regional Economic Development Councils tasked with creating a regional approach to allocating Economic Development funding. These councils would act as 'one-stop shops' for all state-supported economic development and business assistance programs in each region of New York. The Governor has proposed a process that will include and engage local stakeholders in developing and executing sustainable long-term, regional economic development strategies.

We applaud this goal and are excited about the opportunities this budget creates for BOC and the communities we serve. We believe that our network model is a perfect example of how to create regional partnerships drawing on existing resources and our long history and deep knowledge of best practices in the field.

The Business Outreach Center Network has assisted thousands of New York City entrepreneurs (mostly minorities and women) with one-on-one technical assistance, training and access to capital over the past 15 years. We are a founding member of Micro-Biz New York, member of the NYS CDFI Coalition, the National Association of Enterprise Opportunity and the Opportunity Finance Network and a longtime participant in MicroTest, a FIELD initiative focused on performance of microenterprise programs and client outcomes for practitioners throughout the country. BOC Capital, our affiliate microloan program is a Community Development Financial Institution.

We know that creating good jobs is a top priority of the Executive and the Legislature as we continue to struggle with a weakened economy. The State has shown real promise on this front this year and we are pleased with the Governor's increase in Economic Development funding. BOC would like to continue to be your partner on the community level in helping generate new small businesses and jobs throughout New York City's most diverse neighborhoods and in urban and immigrant communities throughout the state.

The BOC Network and its members currently have offices in North and South Brooklyn, Corona, Queens, Chinatown and Upper Manhattan, and Staten Island. BOC is expanding services in collaboration with non-profit partners in the Bronx and in White Plains in Westchester County. Our members and partnerships include Chinatown Manpower Project, COJO of Flatbush, West Brighton Community LDC, Washington Heights Inwood Development Corp., Start Small Think Big, the Women's Enterprise Development Center and BOC Capital Corp, microloan fund. We truly are a vital part of each neighborhood we collectively serve.

Our model leverages resources through partnership and collaboration at all levels to reach and serve a very dynamic segment of the economy – women, immigrant and minority microentrepreneurs and community-based small businesses.

Part of the reason why we believe it so important to be here today is to urge the Legislature to thoroughly consider the role that micro and small scale business plays in restoring our economy. BOC

Network was established in 1989 during a serious recession as a local response mechanism to slow and reverse unemployment. BOC forged connections across community boundaries, and to the mainstream economy to build a network of business outreach centers that together meet the need for facilitated access to financial, management and business development resources and new market opportunities for entrepreneurs in diverse communities.

During the budget address, the Governor mentioned that his economic development strategy would be, in part, higher-ed driven. Higher education in this state is a vital resource and plays a key role in job creation, particularly in high-tech and biomedical industries. It is a necessary component of development in many regions of the state.

However, it is important to develop an economic development strategy that recognizes the growth potential of dynamic small businesses that are not connected with a university or higher ed-based program. This is a priority in many of the low-income, immigrant and emerging communities BOC currently serves.

Witnessing an enormous increase in the number of small business owners and prospective entrepreneurs seeking assistance throughout the city, BOC asks the Legislature and the Executive team to ensure the needs of our clients are addressed by the Regional Councils and that an expert in micro-business and minority and immigrant business issues be appointed to the committee.

Community-based small business is an important source of jobs and economic sustainability for New York City's diverse neighborhoods. Successful, long-term economic development strategy is predicated upon strengthening small businesses, preventing failures and creating new business opportunities -- and thereby jobs -- for neighborhood residents.

Since its inception, the BOC Network citywide has assisted almost 20,000 small businesses and new entrepreneurs. Its efforts have saved or created over 4,000 jobs and leveraged nearly $40 million dollars, in mostly private financing. BOC is a vital tool to supply financing and resources to hardworking entrepreneurs. As a local provider, BOC gets money out to the community, not just through microloans, but through many avenues, such as deployment of energy and job creation incentives, as well as access to mainstream financing. Each year, local BOCs conduct hundreds of small business seminars and workshops, attended by thousands of participants; most of whom as not connected, in the traditional sense to universities, banking institutions or venture capital. Furthermore, BOC Capital Corp. CDFI closed 368 microloans totaling over $4 million dollars; over $2 million in the past two years.

Throughout the BOC Network, you will find professional, bilingual staff working closely with advisory committees comprised of business and banking leaders as well as representatives of local economic development organizations. This model works, has been nationally recognized as a best practice and should be replicated throughout the state as a key component of our economic development strategy.

In our current economy, the majority of net new job creation is generated by small businesses. The BOC Network provides expert assistance in this arena and is particularly focused on engaging with women and immigrant entrepreneurs and fledgling small businesses - the most dynamic portion of NY's small business community. BOC offers a structured, cost-effective model to build local economies - one business and one job at a time.

BOC promises to increase both community wealth and employment opportunities and should be replicated throughout New York as part of our State's regional strategy. Furthermore, each new business and job created with the assistance of a Business Outreach Center translates into broader community development in neighborhoods, as these entrepreneurs return much of their income back to the community as local consumers.

When allocating state resources, we advocate for NYS to establish safeguards and performance standards to ensure state investments truly benefit our local economies and result in promised job creation.

We believe that NYS can learn from its past experiences in Economic Development. Our state has a long history of creating brand new programs from scratch and building new infrastructure to support those programs. The BOC model provides a positive alternative, relying on community partnerships and replication with *EXISTING* entities which are already up and running and successful in providing services in their communities.

When allocating resources we urge you to recognize the economic value that community-based businesses offer both to job creation and to the local economy through recirculating capital within the community, and as such, support programs that cultivate these businesses.

We urge NYS to continue to grow its investment in alternative lending services. Programs like the revolving loan fund and support for CDFI's spur economic growth during a time when mainstream financial institutions have abandoned small business. Furthermore, these services are vital to communities and businesses which traditionally lack access to capital.

In closing, we implore the Legislature to examine the needs of *all* communities and *all* sectors of the economy to develop a program that is effective, resource-efficient and capitalizes on existing well-performing programs already making a difference in their communities and on our state economy.

Thank you very much for this opportunity and for your consideration today.

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The Manufacturers Association

Testimony To:

New York State Senate Finance Committee
New York State Assembly Ways and Means Committee
Joint Legislative Hearing:

Examination of Governor Cuomo's 2011-2012 Executive Budget
Economic Development

Presented By:

Karyn Burns
Vice President, Communications & Government Relations
MACNY, the Manufacturers Association

February 14, 2011

To start, I would like to thank you for facilitating this Joint Legislative hearing, and for allowing me the opportunity to speak on behalf of the state's manufacturing community and provide our sector's input on particulars of the 2011-2012 Administration budget. My name is Karyn Burns, and I am Vice President of Communications and Government Relations for MACNY, the Manufacturers Association, based in Syracuse, New York.

MACNY is the State's premier manufacturing trade association, representing 330 companies with over 55,000 employees across nineteen counties in Upstate New York. Founded in 1913, we pride ourselves on not only being the largest association of manufacturers in New York, but also one of the oldest and most widely recognized associations in the nation. We continue to advocate for causes that will enable New York State manufacturers to thrive in today's competitive global market, because manufacturing is a critical component of a vibrant economy.

It is no secret that our state is enduring difficult times. In fact, it is anything but a secret: recent studies have concluded that we as a state are now considered the highest taxed state in the nation. Our State, once a national power house, is now enduring what is considered to one of the worst deficits in our long and experienced history.

However, despite the intricacies and details of conducting business in such a difficult business climate, manufacturers and businesses are still here, and they are doing whatever they can to continue operations, sustain and grow jobs, invest in their facilities, create quality products and contribute to their communities. Why? Because they believe in New York State and they truly want to do business here.

To validate this claim, despite one of the most challenging budgets in history last year, where businesses were left to curb significant costs through added taxes and fees, these businesses are still here, still running, and most importantly, still want to stay. Last week, I was honored to organize our Statewide Manufacturing Alliance's 4th Annual Manufacturing Day here in Albany. One of the comments from an attendee and longtime manufacturer to our Legislative panel clearly backs my claim: they said they had been attending Manufacturing Day for three years. The first year, three years ago, they left frustrated, last year, they left livid and angry at the system, and this year, they feel optimism and hope.

I think this message resonates well in today's hearing, because we as a business community recognize that in order for New York State to regain its financial footing, we all need to work together. Albany does not create jobs; it helps create a sound business climate that allows business to create jobs. These businesses are ready to work with you and your colleagues on creating a fair and effective business climate, and despite making some sacrifices, ready to tackle our budget crisis together and get New York State back on track.

In order to begin our work together, the State needs a significantly amended and fully functional economic development plan. I believe many of the recommendations in Governor Cuomo's budget are the stepping stones and solutions needed to some of the state's most stifling business climate concerns.

To start, I applaud the Governor in his recommendation of establishment of the Regional Economic Development Councils, and with his recommendation of Lieutenant Governor Robert Duffy, an upstate man through and through, leading the charge. As mentioned previously, it is absolutely critical that business and government work on our fiscal crisis in partnership. Through these councils, I believe business, community, academia, municipal, labor and government can and will work together to create regionally specific plans that will be effective and executed properly. Through your power and ability as a Legislature, I hope you take the Executive Order one step further, and establish this well-received initiative into Law. Also in the spirit of working together and with those who have experience, I would encourage each council to have a representative from each respective regional manufacturing association. Our Statewide Manufacturers Alliance consists of regional association groups from around the State, who represent thousands of successful, energetic, and ready-to-grow manufacturers. I truly believe that representation from one of our state's oldest, critical and most resilient sectors would be a valued asset to each of the regional councils and the products and plans they create.

In order to build on our state's current strengths and capitalize on our manufacturers and businesses that are already here and operating, I think another area in need of revisiting and retooling is the Excelsior jobs program. The Excelsior Jobs program left much to be desired by the State's manufacturing community, and most would agree that a second look at the program and meaningful changes should be made in order to better accommodate the state's business community. I am encouraged by provisions made in the budget on Excelsior, and hope to see more significant change in the future, with your help. While the changes are small, and extend the current tax benefit period from five to ten years, that shows me that government sees that this program is not perfect, and still in need of retooling. I would encourage you and your colleagues to make more changes and improvements, such as addressing the limited resources invested in the program, or the significant lack of regional input. The current value of Excelsior is estimated to be less than half of the benefit of the Empire Zones program. Simply put, that is not enough. Again, in order to make our manufacturers and businesses grow and thrive, they need to be able to operate in a climate that enables them to do that. I encourage you and your colleagues to continue evaluation of the Excelsior program, and working with the business community, find ways to improve it and make it more effective.

The most significant area of economic development in need of attention is our current energy programs. I cannot say enough how thrilled our sector is with the inclusion of Recharge New York, a long-term and fully sustainable economic development program, as part of the Administration budget proposal.

For years, our members have struggled with the rapidly increasing costs of energy in New York State, a cost which has increased exponentially over the last few years. Manufacturing is the most energy intensive sector of the economy. In order to make long term decisions about future operations, manufacturers must be assured that they can continue to operate competitively, including the ability to obtain low cost energy resources. New York manufacturers need a long term solution in accessing energy rates that are comparable to the national average, rather than at the top of the list in terms of cost and rate. Long term plans must be implemented by the State for the provision of low-cost power to the sector driving our economy, manufacturing – the same sector that is the most energy reliant and intensive in day to day operations.

I hold great pride in the fact that MACNY has been a leader in lobbying the New York State Legislature for a comprehensive, long-term solution to alleviate the high energy costs inflicted on New York State manufacturers. MACNY would like to see these current programs, upon their scheduled date of expiration, phase into a single, state-wide comprehensive and long-term economic development power program. Recharge New York is the solution.

Recharge New York relies on using available power sources effectively. Recharge New York calls for reallocation of 455 megawatts of hydropower from the Niagara and Saint Lawrence-FDR hydroelectric projects to economic development power programs, supporting jobs in New York State and improving the quality of life for your constituents.

Throughout the years, many have debated the best use of the 455 mw of hydropower in New York. MACNY firmly believes that allocating this resource to energy intensive manufacturers will make the State of New York a better place to live. Many out-of-state manufacturers are currently looking to relocate, but choose not to do so in New York because of our high energy costs. MACNY strongly believes that allocating the hydropower to the business community will not only help New York retain businesses already located here, but also attract and retain strong, growing out-of-state manufacturers. Low-price hydropower cuts the bottom line for businesses, making them more competitive with out-of-state businesses for capital dollars, investments and expansion. Businesses with continuous low-cost energy can plan for the future with confidence because of price predictability from long-term hydropower contracts. Passage and implementation of Recharge New York will enhance the ability of manufacturers and businesses to expand and create new family-supporting jobs for New York State residents. I strongly encourage you and your colleagues to support this fully sustainable and beneficial economic development program within the budget.

In closing, I leave with you with not only my written testimony, but a copy of our latest study from the Manufacturing Research Institute, the policy and research arm of the Manufacturers Alliance of New York State. We commissioned Zogby International to survey 100 manufacturing executives from across New York State on what they thought of the business climate and of doing business in New York State. I will admit the results are tough to hear, but an underlying message should be clear: they are here, they are doing business, and despite a difficult business climate, they want to continue doing business here. These businesses and manufacturing sector as a whole are ready and willing to invest and grow in New York. I hope you find this information helpful. On behalf of MACNY and its collective membership, I thank you for your time.

Matt Ryan
Executive Director, New York Jobs with Justice & Urban Agenda

Testimony to the Senate Finance and Assembly Ways and Means Committees
Budget Hearing on Economic Development

February 14, 2011

Good morning and thank you for allowing me the opportunity to comment on the Governor's proposed 2011-2012 Executive Budget as it relates to economic development. My name is Matt Ryan, Executive Director of New York Jobs with Justice & Urban Agenda. NY Jobs with Justice and Urban Agenda are both longtime labor and community coalitions that have recently united around our shared mission to build a more just and sustainable economy. For the last several years, NY Jobs with Justice has lead the Getting Our Money's Worth coalition and advocated for comprehensive reform of Industrial Development Agencies.

There is no doubt that New York is facing very real budget strains and that bold actions must be taken to put our state on a path to lasting economic recovery. However, the Governor's budget does not require New York's wealthiest to pay their fair share and it fails to call out an obvious culprit of wasteful spending – the sprawling network of state economic development programs entrusted with spurring job creation in our communities. At an estimated cost of over $8 billion per year for state and local governments according to the Fiscal Policy Institute, it is time to ask if our economic development programs are part of the solution or part of the problem.

NY Jobs with Justice & Urban Agenda strongly believe that reforming, consolidating, and coordinating our state's broken economic development structures has the potential to increase tax revenues and spur economic development that benefits working families and local communities. The Governor and Legislature must start by adopting common-sense reforms that ensure that existing programs as well as new initiatives, such as the Governor's proposed **Regional Economic Development Councils**, create the quality jobs we need to get New York on a path to shared economic prosperity.

With an 8.2% unemployment rate, we need economic development programs that create the jobs we need to address this crisis. Thus far, our current programs have not met the challenge.

An analysis of the state's largest economic development program—Industrial Development Agencies (IDAs)—reveals that New York's economic development efforts to-date have largely failed to foster the creation of good jobs and strong communities. IDAs provide financial assistance to businesses in the form of local and state tax breaks and tax-exempt financing in exchange for the promise to create jobs. According to data released by the NYS Comptroller and the Authority Budget Office, IDAs waste at least $135 million a year on businesses that create no new jobs and sometimes even cut jobs. IDAs also create strains on local governments: Over 80% of IDA spending results in net revenue loss to local coffers. IDAs have increased their spending on net tax exemptions by 82% over the last 5 years, from $354 million in 2003 to $645 million in 2008.

With no high road performance standards, or strong accountability and transparency measures, it is no wonder that job creation and broader economic development goals of IDAs often go unmet, and taxpayers are left holding the bag and having to pay the price with service cuts or increases to our taxes. Sadly, IDAs are only an example of a much bigger problem that accounts for $5.4 billion in forgone revenue to the state and $2.8 billion to local governments when all economic development programs are included.

Corporate tax subsidies have a place in economic development efforts, but they're in need of some common sense reform to transform them from corporate giveaways into smart, targeted investments that grow the middle class. Restructuring our economic development system around a regional approach, as Gov. Cuomo proposes, could be a crucial first step in fixing our failed approach to economic development. However, we must make sure that all entities responsible for job creation, whether local or statewide, and including the proposed Regional Economic Development Councils, adhere to the following common sense principles from the outset:

High-Road Performance Standards:

- Public subsidies should invest in **good jobs** that keep families above the poverty line and offer **career pathways**, and they should benefit **local workers**. These policies would help grow a stronger economy where increased consumer purchasing power means more economic growth in our local communities, and where better job opportunities give residents, particularly in upstate, a reason to stay in New York.

- Economic development should follow **smart growth** principles and preference should be given to development that locates near already developed areas with access to public transportation, affordable housing, and/or built water and sewage infrastructure. Subsidies should also encourage **high performance building standards for energy efficiency** and the **reduction of carbon emissions.**

Accountability Standards:

- Publicly-subsidized development should have a public benefit. The **workers and communities** most affected by development should have a say in development decisions. Labor and community stakeholders must be included at the decision-making table.
- We need to hold our government accountable for protecting the public interest when businesses fail to live up to their promises. Tax breaks should only be allocated after job creation goals are met. Additionally, we should be able to **"clawback"** subsidies from companies that misuse subsidies, as well as use **anti-raiding measures** to prevent development entities from using taxpayer dollars to shifting jobs from town to town instead of creating new jobs.

Transparency Reforms:

- Economic development spending is largely a "hidden cost." With costs spread out among many departments, quasi-private agencies and authorities, subsidies and other incentives are difficult to total and mostly lay outside of the accountability and transparency that budget appropriations demand. We need a **comprehensive inventory of all "front door" and "back door" spending** for economic development. These line items should be reflected in the state budget to accurately reflect taxpayer costs.
- Development authorities and their subsidized businesses should be required to submit a **full annual report** on their job creation performance, wages and future commitments, and disclose all information pertinent to the specifics of deals.

At this time of severe fiscal and economic crisis, quality job creation must be the primary outcome of any effort to revamp our economic development structures. We do not just need more jobs—New York needs quality jobs. We need jobs that pay the bills, lift people out of poverty, and have the kind of benefits that allow families to survive a recession or a health crisis, and plan for their children's futures.

A much-needed coordinated strategy and a long-term plan for how to make New York a leader in sustainable and prosperous economic development must think of the state's economy as a whole and avoid policies of the past that shift jobs from town to town instead of creating new jobs. Regional Economic Development Councils could help fulfill this vision, but we cannot allow them to become yet another layer of bureaucracy with hidden taxpayer costs.

To this end, we make the following three recommendations to the committees:

1. **Do not fund Regional Economic Development Councils before basic standards, transparency and accountability measures are in place.** The budget proposes to fund Regional Councils with almost $200 million and establish these new entities through executive order. As recently pointed out in the press, this accounts for about 26% of the state's entire economic development capital budget. Funding the councils before there are program standards in place is a clear example of putting "the cart before the horse."

2. **Do not extend IDA financing powers without first reforming IDAs to ensure greater return on investment for taxpayers.** The executive budget includes provisions to extend IDA financing to educational facilities. IDAs should not begin financing more projects until they first undergo a long overdue overhaul. Until that time, the Dormitory Authority can support these projects. Albany has considered a comprehensive reform package for a number of years and should adopt these reforms in this session.

3. **Do not let the new Excelsior Jobs program slide backwards and repeat the mistakes of the Empire Zone program.** The budget proposes $70 million in new tax credits through the Excelsior Program. This program was structured to only subsidize employers until after they have met job creation milestones, yet these standards are now at risk. The executive budget allows businesses to receive this subsidy simply for eligibility, not for performance. The budget also changes the formula to calculate subsidy benefits from one that favored higher paying jobs to one that now simply aggregates gross pay without regard to overall job quality. Most troubling perhaps, the program cap is proposed to increase from $1.2 billion over 9 years to $2.25 billion over 14 years. We should maintain strong job creation standards and not allow this new program to quickly spiral into another bloated and underperforming program like Empire Zones.

Thank you for hearing our testimony and our recommendations today to make sure New Yorkers get their money's worth from their economic development dollars.

NY Wine Industry Association
... for the advancement of the industry

Testimony before the 2011-2012 Joint Legislative Budget Hearing on Economic Development

February 14, 2011

New York Wine Industry Association

Susan Hayes, Vice President

Tina Hazlitt, Secretary

Thank you for providing the opportunity to testify before you today. I am Susan Hayes. My husband, Doug Miles, and I own Miles Vineyard and Miles Wine Cellars. We are founding members of the New York Wine Industry Association and I am the Vice President. I am here to ask that the New York State Legislature to include in the 2011 New York State budget the provision that would allow wine to be sold in food stores, restore funding to the New York Wine and Grape Foundation and to the agricultural land preservation programs.

The New York Wine Industry Association (NYWIA) represents small businesses across the state that make up the New York wine industry including wine grape growers, wineries and supplier companies. NYWIA's mission is to promote the health and advancement of the wine industry in New York State through advocacy and public education.

Within this testimony not only will NYWIA present the basic economic facts but will also put forth the specific impact of opening the market to sell wine on three different businesses from our industry, Sawmill Creek Vineyards, Waterloo Container Company, and my business Miles Wine Cellars.

Although the most talked about state revenue impact has to do with the franchise fees that food stores would pay to participate, we are here to discuss the positive direct impacts to our industry and the reoccurring revenue to the state resulting from the growth of the New York wine industry. This new revenue can be used for funding of the New York Wine and Grape Foundation and agricultural land preservation programs.

Study after study and examples in 35 other states have shown that when the market has opened up for the sale of wine, the indigenous wine industry sees substantial, immediate growth. In

Michigan for example when the market opened to allow for the sale of wine in grocery stores, wineries in the state increased production by 600%.

New York is the only major wine producing state that does not allow the sale of wine in food stores. It is no wonder NY has fallen from being the number two wine producing state to number four. New York was the only major wine producing state that had a net loss of wineries in 2009 when all the other states had a net gain and we have dropped to number 11 in domestic wine sales. This decline in the wine industry in New York occurred while the wine industry in the United States has seen unprecedented growth. Our position as a major wine producing state in this country is declining because we are not reaching enough consumers in our own state. We are headed in the wrong direction and something must be done.

We need grocery stores, big and small, to sell wine. We need the opportunity it will provide to get our product in front of the consumer in cities and towns. We need liquor stores to participate in a competitive market so that they no longer control our businesses to succeed or fail.

One need only take a look at the one wine store owned by Whole Foods in New York City that carries 97 different kinds of NY wines to know that it is a false claim that grocery stores will not carry New York wines. Wegmans sells NY wines in their Virginia and New Jersey stores. There are also wineries in this state that are successful selling their wine in grocery stores in other states.

There has been talk that our industry does not produce enough wine to get into all the grocery stores. We may not have enough product to be in every store in the first few years but we don't need to be in all of the stores in order to benefit greatly from the expanded opportunity. We only need to be in some to get started.

There are 600 communities in NYS that do not have a liquor store but they have small independent food markets and those stores would become available to us to sell wine. For some wineries that is a perfect market to get started in and they can grow from there.

An example of this opportunity is in Schuyler County. Although home to 18 wineries and multiple wine grape growing farms it has 1 liquor/wine store in the entire county and that store carries fewer than 10 NY wines. Having the opportunity to sell our wines in independent food stores in this county alone will make a positive impact on our business and that one liquor store will still be the only store in the county that carries spirits and a large selection of wine. Opening the market to NY wines in other stores will not put that liquor store out of business.

New Your is woefully lacking in outlets for wine. Liquor stores are decreasing in number as the liquor-super-stores eat up the smaller retailers with the help of distributors, lack of price pressure, and supply control. These factors, in addition to the fierce opposition from established liquor stores when a new potential retailer tries to get licensed to enter the market, make it impossible for the growth of the either the NY wine industry or wine retailers.

Approximately 2700 liquor stores are the only outlets for our wines other than our tasting rooms. No NY winery can see sustained growth through sales in NY liquor stores. There just aren't enough of them. And of the existing stores only a handful are truly supportive of NY wines. Only 300 actually carry any NY wines. There are currently 300 wineries in NY. You don't have to be a trained economist to see that there are problems with expansion and sustainability of our NY wine industry.

The most recent study by Archstone Consulting found that the potential net increase in jobs will be over 7,500 in 5 years and an increased economic output of $978 million. The New York wine industry would create close to 1500 of those jobs and $432 million in incremental economic output. That is close to a 30% increase in our industry in just 5 years.

With wine in NY food stores NY businesses like mine could finally see real growth. We could finally see the kind of growth that all the wineries in other grape growing states have seen.

The success of the small businesses that produce and sell the wine tanks, corks, labels, capsules, and bottles is directly tied to the success of our wineries. When business is good for me, business is good for them. When I grow and hire more people, they grow and hire more people. When I grow and invest more in NYS, they grow and invest more in NYS. Wine tourism is only generated when there are wineries to visit. Without us the wine tour companies, B&B's, restaurants, and shops will also fail.

Miles Wine Cellars

Miles Wine Cellars is the true example of the overused term Mom and Pop Business. We handle every aspect of our business ourselves, from vine to table. Our four children work alongside us learning to plant, prune, package, and promote our NY product. We are a small business trying hard to sustain, grow and preserve for our next generation.

I personally plan to add at least 5 full time people to my business if we are allowed to sell in NY food stores, and I am only 1 small business. There are 300 such wineries in NYS who could add to employment and tax revenue.

Our children are currently pursuing higher education in the wine and grape growing field but without growth, here, we will not be able to hire them. They will be forced to leave NY and seek employment in the other more successful wine and grape growing states such as California, Oregon, Virginia, Ohio, Washington or even North Carolina. It is difficult to farm 7 days a week knowing that no matter how hard you work you will not be able to pass it on to your children.

Sawmill Creek Vineyards

Our family farm is now in its 6th generation with 85 acres of wine grapes, selling to over 20 small and medium wineries. Our son, the 7th generation, opened a small winery last fall. Our family has been fighting for wine in grocery stores for 30 years. Without the (of all sizes) ability to expand our markets we risk losing our land overlooking beautiful Seneca Lake.

The best Farmland Protection Program is keeping family farms in business.

We had to change with the times over the years to replace varieties that were no longer in demand and are now growing over 17 varieties to make ends meet. It takes four years after planting a vineyard before there is a crop that can be sold. From 2006 through 2009 we had many tons of grapes unsold that were either left on the vine or dumped on the ground.

In 2009 we created a new product, to use our un-sold Cabernet Franc grapes - a culinary ingredient known *as verjuice*, which is a non-alcoholic product used in recipes. This was our attempt to adapt and keep our farm sustainable in tough times. In addition to using it in cooking, I have discovered that *verjuice* is a perfect ingredient in mixed drinks such as gin and tonic, whiskey sours, and white wine spritzers, among others. However New York State law does not allow me to sell this product to liquor stores where they could offer it to their customers.

Our farm has seen many changes over the years, but one thing that has not changed is growth. We have many more acres that we could plant to world demand, premium wine grapes if the market for wine was opened in NY. We could grow our farm by more than 25%. Not only would this preserve farmland but also create jobs on our farm. We would use local business to purchase vines, vineyard posts, trellis supplies, fertilizers, and more generating further income and sales throughout the agricultural supply community.

In 1990 Constellation Brands, the largest wine producer in NYS, purchased **40,000 tons** of grapes. Also in 1990 there were more than 4,500 liquor stores in New York. Today there are fewer than 2,700 liquor stores through which all wines are offered to consumers. Constellation has cut grower contracts and just announced that in 2011 they will only purchase **21,000 tons** with plans to cut growers back 15% per year for the next ten years. Interesting that Constellation has had to cut production as the number of liquor stores in NYS has diminished. With grape growers **and** liquor stores both going out of business it is time for change!

<u>Waterloo Container</u>

See attached

Throughout New York the wine industry provides the economic foundation for the whole community. Therefore our ability to thrive and grow not only directly impacts our industry but hundreds of thousands of people and thousands of small businesses. They are taxpayers and your constituents. Thank you.

WATERLOO CONTAINER
company

February 11, 2011

NYS Legislatures
Albany, NY

Re **Wine in Grocery Stores**

To the New York State Legislature Members

Waterloo Container Company is the largest stocking supplier of wine bottle, corks and closure on the East Coast. New York State account s for 40% of our business.

Currently 35 states allow wine in grocery stores with Oklahoma reviewing this income source. Kentucky is the only top 10 producing wine state except for NY that does not allow wine in grocery stores. Kentucky produces 1/12 the wine of NYS.

When Michigan passed wine in grocery stores, wineries in the state increased production on average by 600% (6 fold). Based on this, we project a conservative 200-300% increase within 5 years in NYS business when the wine in grocery store bill passes.

Besides the projected 200-300% increase in NYS business, we estimate an additional growth of 20% as a direct result of the NYS growth as the increase volume from NYS will allow us to negotiate better prices with our suppliers that we will then be able to offer to existing and future customers. These increases would be in addition to any increase we are currently achieving.

With the growth noted above Waterloo Container would need to add the following positions:

3	Forklift operators
2	Truck Drivers
3	Customer Service Representatives
2	Salesperson
2	Repack Line operator
12	Total new employee hire

Estimated payroll for these positions would exceed $400,000 annually. The increases projected above for Waterloo Container would double they taxes the business currently pays in real estate, sales tax, fuel tax, highway tax and income tax (personal and business).

PO Box 262
Waterloo, New York
13165

Phone: 315-539-3922
Fax: 315-539-9380

This is just the immediate impact to Waterloo Container Company. You then talk of the trickle-down effect to the trucking companies we hire, the fuel we purchase, repairs and maintenance for building and vehicle which we do locally, and everyday purchase.

With the growth above we would also need to consider a new warehouse location to handle this growth. Preliminary estimates would be in the $5-6 million range for a facility. We would also need additional trucks and trailers, various other machinery (i.e. forklifts and production/repack equipment) and computer hardware and software. All this bought primarily from NYS business that will generate addition business income tax as well as sales tax.

This type of opportunity for NYS wineries will allow NYS to become the #2 wine producing state. This will then make NYS more attractive to various other businesses involved in the wine industry. Our Company President has had discussions with a glass manufacture that wants to locate a plant in the United States and NYS would be their preference if the State's wine production increases. Otherwise the plant would end up on the West Coast. These plants typically cost in the $100 million range to build and create 100 or so jobs at technical level wages. Then factoring in the residual effects of trucking, fuel, highway taxes etc,, the economic impact would be a win-win for the state in general and the wineries located here.

We ask that you pass legislation to allow wine in Grocery stores and help reduce the taxes on the individuals of the state.

Sincerely,

WATERLOO CONTAINER COMPANY

Charles G. Pelc
Controller

The City University of New York

Testimony of Vice Chancellor for Research Gillian Small
The City University of New York
Joint Legislative Hearing on the 2011-2012 Executive Budget Proposal
Topic: Economic Development
February 14, 2011

Good morning.

My name is Gillian Small and I am the vice chancellor for research at The City University of New York. I appreciate the opportunity to talk briefly with you today about CUNY's commitment to fueling economic development and job creation in New York City and State.

As you know, CUNY is the largest public urban university in the country and, as such, it has a direct economic impact on the city and the state. Size alone, however, does not account for the effect of our diligent efforts to encourage high standards, quality programs, and engaged students. Across the spectrum, from certificate through doctoral degree programs, the University provides a first-rate education to students from all backgrounds. This is evidenced by our students' increasing rate of success in garnering prestigious academic awards such as Rhodes, Goldwater, and Truman Scholarships. CUNY educates the next generation of engineers, nurses, computer programmers, lab technicians, teachers, lawyers, and so many other professionals that are essential to our city and state.

However, we recognize the need to not only shape the labor force of the future but also to spur the local economy. Indeed, we are deeply committed to nurturing an environment across the University that supports and encourages research excellence, entrepreneurship and translation of technologies from the laboratory to the marketplace. Our chancellor, Matthew Goldstein, designated 2005 to 2015 the Decade of Science at CUNY to position us as a premier research institution. The University—with state assistance—has directed major resources toward this initiative. For example, we are expending well in excess of $1 billion to build new science facilities and renovate existing ones across many of our campuses. We have hired more than 80 top-level research faculty in the science, technology, engineering and math disciplines in recent years. These talented faculty members are essential to forging the individual relationships that fortify the ties with industry and promote entrepreneurial activity.

These efforts are paying off in many ways. For example, we have tripled external research grants and contracts at CUNY during the last decade—funding that includes major center grants from the National Institutes of Health as well as from the National Science Foundation, and other major federal agencies. These grants support the research efforts of our faculty—and we are now accelerating our efforts to commercialize faculty discoveries that result from such research. We are doing this in multiple ways: connecting with industry partners; negotiating licensing agreements with companies to market commercially viable innovations; and encouraging investment in start-up companies.

Approximately five years ago we established the CUNY Technology Commercialization Office to champion, protect, market, and license innovations developed by faculty from across the University. At this time we have filed close to 500 U.S. patent applications, with over 100 currently being maintained, and are negotiating many license and sponsored research agreements. In addition, more than 20 CUNY faculty members have partnered with companies on projects that have been awarded Small Business Innovation Research or Small Business Technology Transfer awards (known as (SBIR/STTRs).

To broaden our scholarly and economic reach, we are also expanding and strengthening our collaborations with other academic institutions as well as with industry. Examples include collaborations with New York University and IBM on the "Smarter Cities" initiatives. CUNY, NYU, and IBM have formed teams of researchers to work together to develop projects around issues of energy, water, security, and transportation.

We also recently formed an NSF-funded **Industry/University Cooperative Research Center** (IUCRC) for Metamaterials in partnership with Clarkson University in Potsdam, New York, as well as the University of North Carolina–Charlotte, and Western Carolina University. The CUNY IUCRC will receive seed funding of almost $100,000 a year from the NSF. More important are the industrial partners, many of which are New York-based companies, including Raytheon, Corning, Northrup Grumman, and Lockheed Martin. Each industry partner pays a $40,000 membership fee each year to participate in the center, collaborate with faculty researchers and benefit from technological innovations that ensue.

CUNY also recently partnered with Columbia University, NYU, and IBM on a project funded by the New York City Economic Development Corporation and announced just last month by Mayor Bloomberg—the creation of an **Urban Technology Innovation Center**—in which we will be addressing issues related to green technology and smarter buildings.

Clearly, energy and renewable energy is a topic of utmost importance to our state and to the country. Thus, we have made an increased commitment to support energy research in recent years, with particular emphasis on the development of clean energy technologies. In 2008, we established the **CUNY Energy Institute** to aggregate and develop interdisciplinary programs that focus on national energy needs. A NYSTAR faculty development award enabled us to hire a prominent chemical engineering professor, Sanjoy Banerjee, to direct the energy institute.

Over the last two years the institute has raised close to $20 million, leveraging the $7 million in New York State funding from agencies such as NYSERDA and NYSTAR with over $10 million in grants and contracts from federal agencies, and additional funding from private foundations and industrial donors.

The energy institute currently supports over 30 Ph.D. students and has created 20 knowledge-based jobs in New York. It is anticipated that the technology developed by the institute will lead to several viable commercial enterprises and will result in hundreds of future employment opportunities in the New York City area.

The **CUNY Center for Advanced Technology in Photonics Applications** (CUNY-CAT) also encourages and supports industry collaborations and commercialization efforts. With NYSTAR support, the CUNY-CAT develops photonics technology to promote economic development in the medical, biological, industrial, and military sectors, contributing significantly to CUNY's overall economic and job creation efforts.

Professor David Crouse from the City College Grove School of Engineering is director of the CUNY-CAT and is also an entrepreneur with respect to his own research in metamaterials. Metamaterials are artificial materials engineered to have unique properties, including a form of invisibility, that have many practical applications. With support from the University, he is moving his discoveries from the lab bench to the marketplace through his Manhattan-based start-up company, Phoebus Optoelectronics LLC. Phoebus was founded in 2003 and has received over $5 million in funding from a variety of sources, including SBIR/STTR grants, other government grants, and industrial contracts. Phoebus is a growing start-up company; with the addition of three engineers in the last 12 months, the team now has six full-time employees and anticipates a growth rate of two to three new positions each year.

Across the University, we are helping other CUNY faculty members form companies and commercialize their technologies.

- Dr. Vinod Menon, a physics professor at Queens College, founded and is the chief technology officer of Hybrid Photonics LLC, a new electro-optical technology company based in Greenvale, New York, that has been awarded over $1 million in STTR DOD grants.
- Dr. Lucas Parra, a professor of biomedical engineering at City College, is a co-founder of Neuromatters LLC, which has four full-time employees and has been awarded a $2.4 million contract by the Defense Advanced Research Projects Agency (DARPA) to develop a prototype of a novel brain-computer interface image triage system, termed C3Vision™.
- Dr. Marom Bikson, a professor of biomedical engineering at City College, is also co-founder of Soterix Medical Inc., which provides clinicians and patients with a safe, effective, and user-friendly neuromodulation technology.

These examples of start-up companies are profiled in the "Emerging Technologies at CUNY" document that we have provided today.

In his first State of the State address, Governor Cuomo stressed the need to better take advantage of the economic potential represented by the vast network of higher educational institutions in New York State. The governor stated that "one of the most important tasks of the regional economic development councils will be to assist those institutions in transforming their research into meaningful economic activity." CUNY stands ready to meet this goal, and we look forward to working with the state to advance these efforts.

Thank you.

32BJ SEIU
tronger Together

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Joint Legislative Public Hearing
2011-2012 Executive Budget
Economic Development Proposals

Kevin Doyle, 32BJ Executive Vice President

February 14, 2011

Good Morning. My name is Kevin Doyle, and I am the Executive Vice President for 32BJ SEIU. We represent over 70,000 working families in New York. As doormen and supers, office and school cleaners, handypersons, and security officers, 32BJ members play a vital role in maintaining the homes and workplaces of New Yorkers. As parents, community leaders and taxpayers, our members are concerned about our state's future.

Thank you for the opportunity to testify on Governor Cuomo's Executive Budget proposals for economic development.

With nearly one in ten New Yorkers unemployed and nearly 28% of working New Yorkers living in poverty, it's clear that New York remains in the midst of a jobs crisis – even as it begins to pull itself out of the worst economic crisis in decades. The prospect of a jobless recovery threatens the well-being of tens of thousands of New Yorkers and the strength and speed of our economic recovery across the state.

Getting New Yorkers back to work and getting New Yorkers back to work at decent paying jobs should be our top priority. Too many New Yorkers have been displaced from good steady jobs and are now piecing together low-wage work to try to get by. Unable to make ends meet on their wages, many working New Yorkers are forced to turn to public programs to support their families. This crisis of the working poor -- New Yorkers who work at jobs but live in poverty -- is not just unacceptable, it is costly – an estimated drain of $5.2 billion in tax dollars over a three year period according to data from the National Employment Law Project (NELP). A key to our economic recovery is getting more money in the hands of consumers

As we look to improve our economic development programs – programs intended to create jobs and spur growth in local economies – we must remain focused on this jobs crisis. And while Regional Economic Councils and other proposals in this budget could take us in the right direction, any redesign or reorganization of our economic development programs will fall short if they do not prioritize job creation, transparency and accountability to tax payers.

The truth is the state's current economic development programs have not only failed to deliver the jobs we need here in New York, but have also come at a great cost to taxpayers.. Replacing the state's old, antiquated economic development programs with a smart coordinated approach to economic development could effectively revitalize the economies of our cities and towns, and lead to new, good jobs that enable New Yorkers to support their families.

To ensure that incentives given to business don't end up creating poverty-like jobs that keep New Yorkers struggling, the Administration should require recipients of such tax breaks and subsidies to pay workers the market rate or going rate (otherwise known as prevailing wage). Including wage standards in our economic development programs will help workers, revitalize local economic activity and ease the strain on our state's fiscal deficit by moving working New Yorkers off of public assistance.

Without transparent reporting of the number of jobs created through these programs, or standards in place to ensure new jobs are good jobs, these economic development programs are failing to produce a return on the taxpayer's investment at a time when the State cannot afford to fail New Yorkers.

Regional Councils should be subject to full annual disclosure on all public subsidy deals. Information on subsidy recipient, job creation, job creation, job quality and geography should be submitted annually and publically accessible via a searchable state website.

Regional Councils should also create a long-term sustainability vision to guide their development decisions. These plans should be subject to public review and favor projects that locate near already developed areas with access to public transportation, affordable housing, and built water and sewage infrastructure.

While the State moves toward a more regional structure for its economic development, reforming the network of Industrial Development Agencies (IDAs) should remain a priority. Too many businesses subsidized by IDAs are not creating the jobs they committed to when accepting funds and many are even cutting jobs. IDAs must incorporate transparency, accountability and wage standards.

In addition specific reforms related to the Regional Development Councils and IDAs, the Administration should adopt a series of broad reforms. To meet its goals of heightened transparency and accountability, the state should adopt a Unified Economic Development Budget (UEDB) that would account for all direct and indirect taxpayers spending on economic development. By including these line items in the state budget, tax payers will be able to review and assess whether these business-incentives are actually helping grow local economies and creating jobs. In addition, information on subsidy recipients, job creation, job quality, and geography of should be annually updated in a searchable state website.

Furthermore, when this new transparency shows that businesses do not meet their commitments to job creation, our economic development programs should include enforceable clawback provisions that hold businesses-recipients accountable by providing a mechanism to pull back these funds from companies that are not in compliance with job creation goals and re-direct the funds for more useful purposes.

Finally, the State should be a leader in the creation of green collar jobs by requiring all commercial, residential and public buildings to be assessed and evaluated for their energy usage (similar to New York City's Greener, Greater Buildings Law) and investing in building worker training to improve energy efficient building operations and maintenance practices.

In closing, we would like to thank you for the opportunity to share our vision for getting our state's economic development program on track. Upstate and in the City, New Yorkers are looking for good jobs and for their tax dollars to be used effectively and responsibly. We look forward to continuing this discussion with you, the administration and the governing committee for the Regional Economic Development Councils.

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New York Coalition of Community Development Financial Institutions

A Project of the National Federation of Community Development Credit Unions

Federation

Credit Unions United to Serve the Underserved

Testimony to the

Economic Development Hearings

Regarding the 2011-2012 Budget

February 14, 2011

Presented by:

Melanie Stern, Coordinator
New York Coalition of Community Development Financial Institutions
(A Project of the National Federation of Community Development Credit Unions)

The National Federation of Community Development Credit Unions
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I would like to thank the committee for the opportunity to testify in these hearings on an issue that is critical to the economic well being of communities throughout New York State.

My name is Melanie Stern and I am the Senior Program Officer for The National Federation of Community Development Credit Unions. Today I am here representing the New York Coalition of Community Development Financial Institutions to ask for your support; support for an allocation for the New York State CDFI Fund that was created by this legislature in 2007 and support for representation by the State's CDFIs on the Governors proposed Regional Economic Development Councils.

What are CDFIs? They are the non-profit financial institutions with a special mission of serving underserved communities and people of modest means. They provide affordable financial services and loans to consumers, homeowners, small businesses and community organizations. They finance affordable housing and community facilities. CDFIs specialize in filling gaps, making high impact loans that banks cannot or will not make. CDFIs include housing funds, community loan funds, community development credit unions, community banks, and micro-lenders. It is precisely because of their community roots that CDFIs are so efficient and effective. And with average delinquency rates below 1.5%, CDFIs have proven themselves among the state's most successful lenders.

CDFIs help low-income individuals build assets, manage debt, and obtain financing to become productive stakeholders in the economy. They serve the people most often neglected by mainstream financial institutions; 70% of CDFI clients are low-income, 76% are minorities, and 58% are women. In 2009 New York's 110 CDFIs had over $2 Billion in loans outstanding to economic and community development projects.

CDFIs create jobs and income. For every $1 of a small business loan $2.5 comes back in revenue to the state. For every dollar spent on quality, affordable housing, $35 is returned in the form of job creation, tax contributions and new businesses.

Any outlay for CDFIs comes back to the state multiplied many time over. Funding for CDFIs is probably the biggest bang for the buck that the state will see from any financial investment.

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CDFIs also fight predatory lending by providing consumer education and access to affordable financial products and services that help individual households to avoid the exploitive and prohibitively expensive "fringe" banking services offered in the form of mortgages which strip wealth from working families, rent to own shops, pawn shops, refund anticipation loans and host of other abusive financial products that prey on the financial fragility of so many of our citizens.

Tight credit markets means that the CDFI movement faces unprecedented opportunity for expansion and public recognition, far greater than any time in their history, but also additional challenges brought on by liquidity constraints. In 2010 CDFIs were publicly cited by top Administration officials, and have gained favorable publicity through national print and electronic media, as being a cost effective, high impact means of reviving our neighborhoods and communities. In 2010 the number of CDFIs seeking certification and funding from the federal CDFI Fund grew significantly – a sign of the importance of the Fund, but also an indicator of increased competition for limited resources. And in 2011 we are facing the threat of decreased funding for the Federal program.

The U.S. Treasury Department estimates that CDFI's use their public dollars to leverage investment from private and federal sources at a rate of 20 to 1. An allocation for New York State CDFIs insures maximum access to federal CDFI funds that require match, bringing millions of additional dollars to the state. Traditionally, those of us fortunate enough to be located in urban areas have been able to secure this match from the banking sector. However, due to the economic downturn which has left the financial services industry reeling, New York CDFIs are less able than at any time in the past to meet these match requirements and bring those federal dollars to our communities. And for our colleagues in rural areas, even in good economic times, they simply do not have the financial institutions of size in their communities to help them provide those match dollars, leaving some of our communities which are most in need without a means to secure the funds required to make real economic change for their residents.

Regional Economic Development Councils

In creating the Regional Economic Councils the Governor is seeking to insure that all parts of the state have an equal opportunity to receive economic development dollars. But an equitable distribution of funds also means that no group should be left out-including people of modest means. That is why we are asking for mandatory inclusion of CDFIs in these councils. It is crucial that the organizations with the existing mechanisms for reaching the state's underserved communities be represented. Unlike other economic development segments-CDFIs are nimble and lean and able to put money on the street-creating jobs and housing effectively and efficiently

New York State CDFIs continue to reach only a portion of the low-income and working families and individuals that could benefit from their services. In order to create jobs, small businesses, the affordable housing and financial services their communities need, CDFIs need New York State to make an investment in the future well-being of its residents.

The New York State CDFI Fund

In 2007 New York State became a national leader on economic development issues. In a historic event that was ten years in the making; the Governor signed into law a bill with strong bipartisan support. The CDFI legislation Chapter 186 of the laws of 2007 was modeled after the federal CDFI Fund, providing for the creation of a full-fledged CDFI program here in New York, the first in the nation. In essence, what the legislature did was mandate a comprehensive asset-building agenda that encourages entrepreneurship, job creation, affordable housing and consumer protection against predatory lenders.

Today we are here asking the legislature to direct $15MM into the New York State CDFI Fund which will meet approximately ¼ of the current capital needs of CDFIs. In addition we ask for continued support for the ESDC women and minority loan fund and the new revolving loan fund for small business.

In conclusion, let me quote from the language of the legislation that created the New York State CDFI Fund in 2007:

"the continued growth of CDFIs requires an established support structure in order to build capacity in these institutions. The legislature finds that creation of a statewide CDFI fund will strengthen these institutions, allowing them to expand their mission of addressing the credit and banking needs of low and moderate income communities in New York State. The use of the fund as described in the legislation is to provide financial assistance to community development financial institutions that make loans and provide development services to targeted populations for the following purposes:

- *the development of commercial facilities that promote revitalization, community stability, and the creation and retention of jobs;*
- *the development or improvement of community facilities such as child care centers,*

- *access to low cost, fair financial services as an alternative to those predatory lenders who target working families;*
- *housing that is affordable providing safe and decent choices to those households who are priced out of the housing market and which, in high cost areas, includes a substantial portion of our workforce*
- *the development and support of businesses that create jobs, revitalize neighborhoods and pay taxes, but that would be ineligible for loans from traditional lenders, especially in this era of tightened credit markets. A substantial portion of those who cannot secure credit from traditional lenders are women and minority entrepreneurs who cannot meet the credit and collateral demands of banks.*
- *enhance the availability of products and services to those who have been shut out of the financial mainstream due to low incomes, lack of access to traditional banking facilities, high fee structures for households with low balances and similar practices.*

If the governor and legislature are looking for proven, affordable, economic solutions that effectively leverage dollars and multiply impact they should look to CDFIs.

In addition to copies of my testimony I will be leaving a report on CDFIs and job creation that was drafted in 2010 at the request of senate staff.

Thank you for your time and consideration.

For additional information about the NY Coalition of CDFIs, you can contact Melanie Stern, Coalition Coordinator at: mstern@cdcu.coop or (212) 809-1850

CDFIs and Job Creation

Introduction

For more than two decades New York State's Community Development Financial Institutions have gone beyond the borders of conventional bank institutions to finance small businesses, affordable housing, community facilities and nonprofits. They have expended billions of dollars to create jobs, build affordable housing and provide critical community services. Through 2007, CDFIs nationwide had generated more than 192,000 jobs, 43,000 businesses and microenterprises, 578,999 housing units and 9,600 community facilities. CDFIs have proven themselves resilient during the current economic crisis, with lower default rates than mainstream institutions. And they have accomplished all this with minimal bureaucracy and remarkably low overhead.

New York State has the greatest number of CDFIS (110 in 2010) of any state in the country. These include community development credit unions, community development banks, loans funds, community development corporations and community development venture funds.

CDFIs provide capital, credit, and financial services to hard-to-reach communities and underserved populations. In both rural and urban parts of the State, CDFIs are assisting the entrepreneurs and small businesses that are vital engines of economic growth. In 2008 CDFIs nationwide helped create or maintain over 70,000 full-time jobs.

Data for CDFI activity and impact is collected each year by the Community Data Project, funded by the MacArthur and Ford Foundations. The National Federation of Community Development Credit Unions is one of the data collectors for this project. In 2008 60 New York State CDFIs reported in to the data project. At the end of 2008 these CDFIs had over $1.9 Billion in loans outstanding and had generated at least $350M in new loans.

The breakdown of the 2008 loan portfolio:

$472M Business Loans

$489M Housing

$729M Commercial Real Estate

CDFIs are there to fill the gaps. They are able to reach these communities through innovative, responsible and affordable financial products and services.

According to Michael S. Barr, the Assistant Secretary for Financial Institutions at Treasury, "CDFIs are the critically important piece of our broader commitment to an inclusive recovery." These are sentiments that have been echoed by President Obama, Treasury Secretary Geithner and Federal Reserve Chairman Bernanke.

At the same time that there has been increased recognition, the current economic environment has strained the resources of many CDFIs. CDFIs have seen a dramatic increase in requests for lending services. However, they have faced constraints in meeting that increased demand. Their primary funding sources--banks, foundations, and socially motivated investors--have all decreased funding available to community development lending. Furthermore, CDFIs have had to increase loan loss reserves to manage downturns in their markets and have also faced an increase in losses. Nonetheless the industry is eager to deploy capital to assist in the economic recovery.

CDFIs in New York State and Job Creation

All types of CDFI lending activity create jobs: business, housing, community facilities, non-profit finance.

Business Lending

The CDFI's target is a small business or start up that cannot access traditional bank financing. Loans can include microloans of up to $35,000 and larger small business loans. According to the U.S. Treasury's CDFI Fund, of all business loans made by CDFIs, over two-thirds are microloans and almost 95% of these loans are fixed interest. 55% go to minority-controlled business and 44% to women.

Based on the last United States Census, in 2006 New York State had 1,473,564 Sole Proprietorships and 309,637 businesses with 1-4 Employees. Total Employment at these businesses was 2,292,845; representing 20.9% of total employment in the state with an average rate of employment of 1.64. These numbers rose by 3.36% each year between 1997 and 2005, with as many as 45,000 new businesses per year.

All indications are that sole proprietorships and businesses with 1-4 employs currently represent the only growth area in the state's economy. We estimate that small businesses can add as many as 72,000 new jobs in 2010-2011.

As one example, below are figures from a small business program administered by Empire State Development Corporation. ESDC manages a grant program that funds CDFIs providing microloans to women and minority owned businesses. The Statistical data compiled by ESDC, as reported from the CDFI annual reports from period January 1, 2008 through December 31, 2008 is as follows:

- **Jobs Created** **3,016**
- Total number of loans disbursed: 1,257
- Total amount of Loan Disbursements: $33.6 Million
  Average loan: $26,730

- Total number of loans disbursed to M/WBEs: 1,073
- Total amount of loans disbursed to M/WBEs: $19.9 Million
  Average loan: $18,546

- Loan Terms: 3 – 5 years (avg.)
- Total number of businesses that received one-on-one technical assistance: 37,000 of which 17,000 were M/WBEs

This ESDC data translates into 2.8 jobs per loan. A similar job creation number is reflected in the data of ACCION USA, the state's biggest microlender, which shows that each of their New York microloans, averaging $8000, contributes to the creation of 2.4 jobs. In 2008 ACCION USA made 1400 microloans.

CDFIs are at the forefront of providing access to capital to women-owned businesses. A report published in Forbes indicates that women are becoming the nation's job-creation engine, starting small businesses and stimulating new jobs at a rate that outdistances their male counterparts and disproportionately exceeds their current contribution to U.S. employment. Projections are that female-owned small businesses, now just 16% of total U.S. employment, will be responsible for creating one-third of the 15.3 million new jobs anticipated by the Bureau of Labor Statistics by 2018. Women who own small businesses will create from 5 million to 5.5 million new jobs across the U.S. by 2018.

In 2009 the Kauffman Foundation funded a U.S. Census Bureau study report showing that startup companies are a major contributor to job creation. According to the Kauffman report "research into the early years of business formation shows how vital new firms are to our economy". While still only 20% of overall employment, these jobs from start-ups reflect new jobs. Firms with 1-4 employees account for a large percentage of new jobs in any given year-about 20% on average. Most importantly the study showed that fully two-thirds of net new jobs in 2007 were in companies less than 5 years old.

Keeping credit flowing to small businesses is critical, especially in times of recession and high unemployment. Small businesses are engines for job creation, creating roughly 80 percent of new jobs and employing over half of private sector employees. Increasing the flow of sustainable credit to small businesses, especially when traditional lenders are restricting credit, is an important first step towards spurring job growth.

Green Lending

The Federation has launched a new initiative with Green for All, based in California, to bring green lending and green jobs to low income communities. The importance of insuring that low-income communities are full participants in the green economy was underscored by the state's Green Jobs/Green NY bill designed to "create jobs in the new economy." This program works though NYSERDA which currently partners with several of the state CDFIs in their existing loan programs. One element of this new program as described is to create "new and permanent jobs in green construction and additional jobs in local businesses and manufacturing that serve those new workers."

Housing Lending

Capital investment for affordable housing is a highly cost-effective means to create jobs; the cost-per-job created compares favorably with spending on other essential infrastructure and economic development projects.

According to NeighborWorks America, a national nonprofit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts, for every dollar spent on quality, affordable housing $ 35 is returned in the form of job creation, tax contributions and new businesses.

A further example of the importance being placed on the connection between affordable housing development and job creation was the announcement on February 5, 2010 of a major new HUD initiative to connect housing and job creation with the launch of the Office of Sustainable Housing and Communities. Part of this initiative will include energy retrofitting financing, creating new jobs in the energy sector.

Data from the State's housing agencies show that 16,000 affordable apartments and homes can generate 16,800 jobs during construction and renovation. In addition to these construction phase jobs, affordable housing projects generate long-term service and retain jobs.

Leveraging Funds

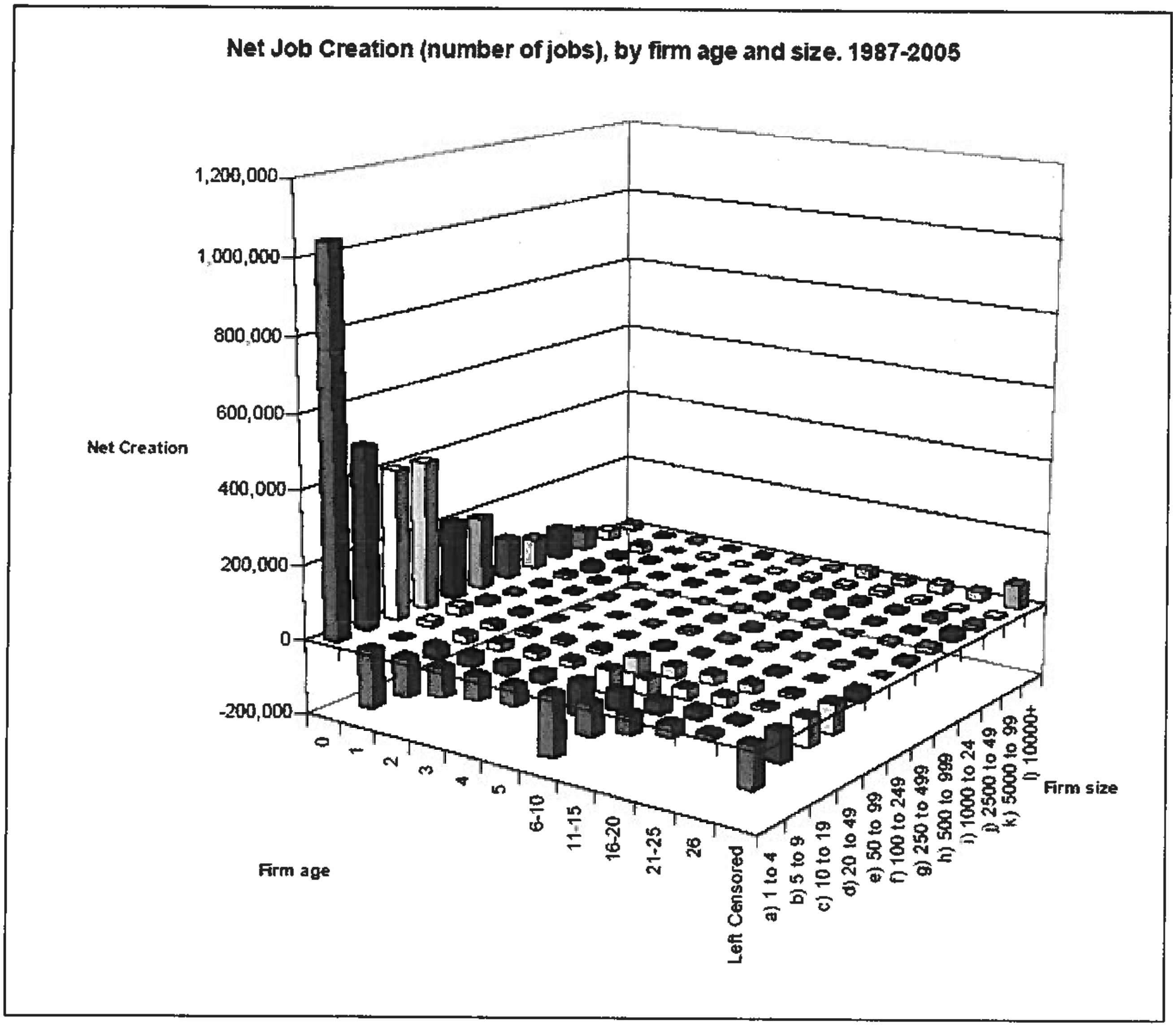
Investments in CDFIs not only support the wide range of activities CDFIs engage in, but it also helps CDFIs leverage additional resources from foundations and the corporate sector, bringing private and public funds together and multiplying the impact to low- and moderate-income communities across the state.

According the Treasury Department, CDFIS leverage investments at a rate of 20 to 1. So for example, $15MM for New York State CDFIs, matched by $7.5 MM from the Federal CDFI Fund can leverage $262MM in loans for affordable housing, small businesses, community facilities, and other low-income and disadvantaged community financing needs. (See attached leverage sheet)

This month CDFIs are applying to two important new CDFI programs; the Capital Magnet Fund for affordable housing and the Community Development Capital Initiative for CDFI Certified Credit Unions and Community Development Banks, both of which have matching or leverage requirements. New York State can insure that these dollars flow our way by providing capital to the State's CDFIs.

Summary

Maximizing the number of CDFI banks and credit unions participating is critical to serving credit starved communities and getting the economy moving. Small business, job creation and neighborhood restoration will be at the heart of the recovery of our economy. CDFI banks and credit unions dedicated to serving low and moderate income communities can play a critical role—but only if they have the capital to enable them to lend. Low income urban and rural communities feel a greater share of the burden in a declining economy as measured by higher unemployment rates, poverty and foreclosures. Consequently, financial institutions dedicated to serving low income communities need affordable and patient capital to reverse economic decline, generate jobs, and create opportunity in places hardest hit by the recession.



Data-Sources*

ACCION USA

CDP Data Project 2008 and 2009

The Ewing Marion Kauffman Foundation

Empire State Development Corporation

Forbes.com

Microbiz New York

NeighborWorks America

New York State Senate Website

U.S. Census

U.S Labor Department

*The overall CDFI data on job creation here may be significantly understated as regulated CDFI financial institutions such as credit unions and community development banks are not required by their regulators to compile job numbers. In addition a portion of personal development loans may be assumed to be for business purposes.

Testimony from:
James Bittner
Niagara County Farmer
Chairman, New York State Council of Agricultural Organizations
Vice-Chair, New York Farm Viability Institute
Member, New York Farm Bureau

Testimony for the Joint Legislative Budget Hearing on Economic Development
February 14, 2011
Albany, NY

I would like to thank each and every Senator and Assemblyman at today's joint legislative budget hearing for this opportunity.

My name is Jim Bittner; I am a fruit farmer from Niagara County and currently serve as chairman of the New York State Council of Agricultural Organizations, commonly referred to as CAO. CAO is made up of the many diverse organizations that represent agriculture in New York State. The policies we promote are agreed to by all the members.

I will be leaving materials about CAO, who our members are and issues that the ag community wants to bring to the attention of this committee and all of New York State government.

I am also Vice-Chair of the New York Farm Viability Institute and an active member of New York Farm Bureau.

Over the past five years agriculture has been a relative bright spot in New York's economy with two new ethanol plants coming on line, a major cheese plant expansion, construction of two Greek style yogurt plants, record corn and soybean yields in each of the past three years, and New York soybeans being specifically requested for export to China. Agriculture is critically important to the overall New York State economy and is the lifeblood for most upstate New York communities.

According to the USDA Census of Agriculture and Cornell University economists, in 2009 the total value of agricultural products sold from New York farms provided an annual boost of $7.1 billion to New York's economy. In addition, agriculture accounts for a major portion of the $46 billion annual economic impact from the food and beverage manufacturing industry in New York. Nationally, New York ranks in the top 10 for a number of agricultural products: 1st in cottage cheese production, 2nd in apple, maple, pumpkin and sour cream production, 3rd for milk, grape, cabbage, corn silage and cauliflower production, 4th in pear, tart cherry, cucumber, snap beans and squash production, 5th in onion, sweet corn, equine, and duck production, 7th in Christmas trees, and 8th in vegetables harvested for direct market sale.

Governor Cuomo's *"The New NY Agenda: A Cleaner, Greener NY"* states that, "Between 1997 and 2007 New York lost 613,500 acres of farmland, a 7.9 percent decline. In 2009, there were approximately 36,000 farms covering 7.2 million acres, down from 48,000 farms covering 9.5 million acres in the early 1980s. And yet, total output increased from around $2.9 to $4.5 billion during this time." Some of this increase is due to inflation but much of it comes from improvements in production and production efficiency. Preserving land in farming is certainly an important resource for the success of agriculture. As farmers pay for local goods and services, hire a workforce and grow their businesses, it is not the land but the economic activity of these viable and profitable farm businesses that stimulate and drive the economy. The New York Farm Viability Institute is dedicated to an outcome-based program model to help farms become and remain sustainable, viable and profitable businesses through investments in innovative applied on-farm research, education, value added product development, marketing and market development, and strategic business planning.

With a seven member all-farmer board of directors, the Institute is farmer directed and farmer driven. No one understands better than individual business owners the most critical challenges facing their industry. The Farm Viability Institute continuously engages farmers in focus groups to identify and prioritize the most critical problems facing their industry. As a farmer lead, farmer directed and farmer driven organization, projects are funded that most effectively address these most important industry needs.

The Institute's board of directors agrees with the statements in Governor Cuomo's *"The New NY Agenda: Farm NY"* that mention the importance of keeping New York on the forefront of agricultural development. The document specifically refers to New York Farm Viability Institute as providing key funding for research and education projects across the State. Projects and technology innovations in agriculture frequently take years for adoption and widespread benefits to be measured. The New York Farm Viability Institute is a relatively young organization, receiving its first legislative appropriation in 2005, and in spite of that Institute projects to date have documented:

- The creation of 231 full time jobs, 203 part time jobs, and 75 seasonal jobs
- $26.3 million in new sales revenue
- $10.5 million in production cost savings
- $14.4 million in new capital investment

These results have been achieved only with the timeframe of the one and two year projects that were funded and only on the farms cooperating in the projects. The return on investment would be significant larger if the future cash flows from project impacts were discounted to their net present value. Returns would also be significantly larger if impacts were measured from farms that adopted the various technologies but are outside of those participating in the projects.

Beyond a 7:1 return on the State's investment in Farm Viability Institute projects, project leaders have also been able to leverage $4 million of these state funds into an additional $6.6 million in other state, federal and private funds.

The Farm Viability Institute has a proven track record for investing in projects that effectively address farmer-identified high priority issues. Furthermore, the outcome based project model, that the Institute has a reputation for implementing, holds project leaders to high standards of accountability with respect to achieving and documenting farm level impacts resulting from their projects.

The Farm Viability Institute board strongly agrees with statements in Governor Cuomo's *"The New NY Agenda: Farm NY – Growth through Innovation"* that agriculture is a vital component of New York's economy and a major economic engine for upstate New York. The Institute is a new and innovative approach to creating growth for New York agriculture and solving problems that have plagued the industry for years. The Farm Viability Institute represents an important piece of a comprehensive strategy to maximize the economic development opportunities in production agriculture and exploit available opportunities in food processing and sales of high quality food direct to consumers. The breadth, scope and documented farm level success of past Institute projects stand as proof that this innovative idea of a farmer lead and farmer directed Institute can in fact be a powerful force for economic development through agriculture.

It is for this reason that I appear before you today. The New York Farm Viability Institute should be recognized as a fundamental economic development program for New York's food and agriculture system and incorporated into New York's economic development budget. Unfortunately severe budget cuts last year in addition to Governor Cuomo's proposed budget cuts this year have reduced this outstanding program to the point of extinction. Despite the exceptional track record that I just articulated to you, this program will be closed down on April first. Without state support this responsibly managed landmark program will disappear and our entire economy will suffer. The New York agriculture industry deserves the support and recognition as the economic engine it truly is and I strongly encourage you to install this program within the Department of Economic Development and establish a funding line that assures its continuation.

Thank you for the opportunity to speak before you today and I would be happy to answer any questions.