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

JOINT LEGISLATIVE HEARING

In the Matter of the
2020-2021 EXECUTIVE BUDGET ON
ECONOMIC DEVELOPMENT

Hearing Room B
Legislative Office Building
Albany, New York

February 13, 2020
9:37 a.m.

PRESIDING:

Senator Liz Krueger
Chair, Senate Finance Committee

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

PRESENT:

Senator Pamela Helming
Senate Finance Committee (Acting RM)

Assemblyman Edward P. Ra
Assembly Ways & Means Committee (RM)

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

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

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

2020-2021 Executive Budget
Economic Development
2-13-20

PRESENT: (Continued)

Assemblyman Al Stirpe
Chair, Assembly Committee on Small Business

Senator Joseph P. Addabbo Jr.
Chair, Senate Committee on Racing, Gaming and Wagering

Senator James Skoufis
Chair, Senate Committee on Investigations and Government Operations

Assemblyman Kenneth Zebrowski
Chair, Assembly Committee on Governmental Operations

Senator John Liu

Assemblyman Harvey Epstein

Assemblyman Robert Smullen

Assemblyman Billy Jones

Senator Brad Hoylman

Assemblywoman Marianne Buttenschon

Assemblyman Christopher S. Friend

Senator Luis R. Sepulveda

Assemblyman Steve Stern

Assemblyman Chris Tague

Senator James Tedisco

Assemblyman Brian D. Miller

Assemblywoman Mathylde Frontus

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PRESENT: (Continued)

Senator George M. Borrello

Assemblywoman Inez Dickens

Assemblyman Robert J. Rodriguez

Assemblyman Charles Barron

Senator Rich Funke

Assemblyman Daniel J. O'Donnell

Assemblywoman Alicia Hyndman

Senator Shelley B. Mayer

Assemblyman Walter T. Mosley

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CHAIRWOMAN KRUEGER: Good morning. We're ready as we're going to be, was the answer. This is Day 13 -- Hearing 13, sorry --

CHAIRWOMAN WEINSTEIN: Day 11, I think.

CHAIRWOMAN KRUEGER: Whatever it is. We're in a blur.

(Laughter.)

CHAIRWOMAN KRUEGER: But you know who you are, and you'll be introducing yourselves. For example, I'll read this sheet and let you know that I am Liz Krueger and this is the budget hearing on economic development.

I chair the Senate Finance Committee. I'm cochair of today's budget hearing. Today is the 12th of 13 hearings conducted by the joint fiscal committees of the Legislature regarding the Governor's proposed budget for state fiscal year 2020-2021.

These hearings are conducted pursuant to the New York State Constitution and Legislative Law.

Today the Senate Finance Committee and the Assembly Ways and Means Committee will hear testimony concerning the Governor's proposed budget for the New York State Department of Economic Development, Empire State Development Corporation; the New York State Office of General Services, and the New York State Council on the Arts.

Each representative of the agencies will be introduced as it is their time to testify. Following each testimony, there will be some time for questions from the chairs of the fiscal committees and other related committees based on the commissioners.

After the final question-and-answer period, there will be an opportunity for members of the public to briefly express their views on the proposed budget discussion.

I know that there's quite a bit of snow in various parts of the state, so for people who may have hoped to get here and have not, please be assured if you submit

testimony any time in the next seven days, that will be treated as testimony to the committees. It will go up online for everyone to have a chance to look at and review.

We have standard rules that we apply to all of our testifiers. One, please play clo -- please play -- please pay -- I didn't have the coffee yet, I apologize --

(Laughter.)

CHAIRWOMAN KRUEGER: -- close attention to the time clocks, because it lets you know how much time you have to speak and then it will glow yellow when you're getting close to the end, and then it will glow red and ring, letting you know your time is up.

Chairpersons of relevant committees have a 10-minute allotment for questions and answers of the government witness. All other legislators who are members of the relevant committees receive five minutes to ask questions of government.

Except for the five minutes for relevant chairs, there will be no second

rounds of questioning. Any legislator who feels the need to ask an additional follow-up question, please present themselves to Helene Weinstein if they're an Assemblymember, or myself if they're a Senator.

For nongovernmental witnesses, all legislators have three minutes to ask their questions.

There may be some people who want to protest in some way -- occasionally, they do -- this afternoon, or maybe they'll show up early. We just urge people that there are successful ways to quietly protest versus noisy disruptive ways to protest. We urge people to explore the quieter ways of protest. Because if not, people who work for the state will actually ask you to leave.

I'm just going to start off by introducing members of the Senate, and then Helene Weinstein will introduce members of the Assembly.

I see Senator Brad Hoylman, Senator Diane Savino, Senator Joe Addabbo, Senator Luis -- excuse me, I'm losing my mind --

Luis Sepulveda. I decided to blend you and John Liu into one Senator. Senator John Liu. Senator Anna Kaplan, who's actually the chair of the two relevant committees today for Economic Development and Small Business Services.

And filling in for Jim Seward, who could not be here, is Senator Pam Helming, who will introduce her members.

SENATOR HELMING: Joining me today we have Senator Jim Tedisco.

CHAIRWOMAN KRUEGER: Great.

And the Assembly?

CHAIRWOMAN WEINSTEIN: For the Assembly we have Assemblyman Schimminger, chair of the Economic Development Committee; Assemblyman Stirpe, chair of our Small Business Committee; Assemblyman Jones, Assemblyman Rodriguez, Assemblyman Stern, Assemblyman Epstein, Assemblywoman Frontus, Assemblyman Barron, and Assemblywoman Buttenschon.

Assemblyman Ra will introduce the members of his conference, our ranker.

ASSEMBLYMAN RA: We're joined this morning by Assemblyman Chris Friend, ranking member on the Economic Development Committee, as well as Assemblyman Smullen, Assemblyman Tague, and Assemblyman Brian Miller.

CHAIRWOMAN KRUEGER: Thank you.

And we're beginning with Eric Gertler, commissioner of the Empire State Development Corporation and the Department of Economic Development.

Welcome. You have 10 minutes; feel free.

COMMISSIONER GERTLER: Great. Thank you.

Good morning, Chairwoman Krueger, Chairwoman Weinstein, and distinguished members of the Legislature. My name is Eric Gertler, and I serve as the acting commissioner of the New York State Department of Economic Development and as president and CEO-designate of Empire State Development, ESD.

It is a privilege to have been selected for this role, and I'm honored to

appear before you today -- I might add it is my first time -- to discuss the Governor's fiscal year 2020-2021 Executive Budget, alongside ESD's chief operating officer, Kevin Younis.

ESD, as the state's chief economic development agency, continues to grow New York's economy using a strategy built on four pillars: Creating vibrant communities, training our workforce, incentivizing the growth of export-oriented industries, and fostering innovation to create the jobs of the future.

For our communities, this budget proposes funding for a tenth round of the Regional Economic Development Council -- the REDCs -- initiative, the state's bottom-up approach to economic growth that has supported more than 8,300 projects and will create or retain at least 240,000 jobs statewide.

Additionally, the Executive Budget supports a fifth round of the Downtown Revitalization Initiative, enabling more

communities to recreate their urban centers.

ESD is also investing in people, to ensure every New Yorker has an opportunity to participate in our growth. Beyond our continued partnership on the Workforce Development Initiative, recently completed projects like the Northland Workforce Training Center in Buffalo and the Center for Advanced Manufacturing Skills in Troy, are improving regional talent pipelines.

Our state's diversity is also our strength. And ESD will continue to improve New York's Minority and Women-Owned Business Enterprise Program by reducing red tape and maximizing participation.

During this administration, nearly $16 billion in state contracts have been awarded to MWBEs, more than 8,000 firms have been certified, and our contract utilization rate of over 29 percent is the nation's highest.

To attract the export-oriented industries of the future, the Governor's budget proposes to extend the

performance-based Excelsior Jobs Program under which nearly $1.4 billion in tax credit awards have secured financial commitments of almost $10 billion and the creation of roughly 82,000 jobs.

The Executive Budget would also establish enhanced benefits for green economy projects to help ensure that the state's ongoing transition to carbon neutrality will benefit both our economy and environment.

ESD also continues to grow the innovation economy. Our Division of Science, Technology and Innovation -- NYSTAR -- supports more than 70 funded centers that foster the commercialization of technology and ideas. The Executive Budget would transition NYSTAR's Center of Excellence to Centers for Advanced Technology framework, ensuring that future designations are awarded competitively and maximizing the state's return on investment. Furthermore, a newly established Innovation Hub would encourage greater collaboration among the centers.

Investing strategically in

communities, workforce development, tradable sectors and innovation enables ESD to continue generating opportunities for New Yorkers across the state. We look forward to working with you as our legislative partners to build on our nine-year record of sustainable, bottom-up, and regionally led economic growth.

With that, I am happy to take your questions.

CHAIRWOMAN KRUEGER: Thank you.

Our first questioner will be Anna Kaplan.

SENATOR KAPLAN: Good morning --

(Microphone off.)

SENATOR KAPLAN: Good morning. Good morning, Commissioner. Thank you for coming in today and testifying.

And can you talk a little bit about the CATs and COEs, their differences, and also in the budget having -- trying to combine the two together and reducing their funding. And what do you propose?

COMMISSIONER GERTLER: Right. Of

course. So if we look at the Small Business Division -- and those centers are within the Small Business Division. Of course they also work with larger companies, but primarily small businesses. Ninety-eight percent of our businesses in the state are small businesses representing over 50 percent of our employment.

And in terms of what we seek to do in terms of small business, I put that into three buckets. First of all, we help small businesses raise capital. We also help small businesses with the assistance they need. And in the third bucket, we help businesses commercialize their technology. So within that third bucket, we think about the CATs and the COEs.

To get to the proposal, the idea is that -- following the budget, the idea is to competitively bid the COEs. The reason for doing that is that we want to lead to a more forward-looking perspective. We want to be able to invest into the industries of the future, the jobs of the future. And what we

want to do is put an emphasis on industry benefits instead of just merely the center benefits.

In doing so, we want to make sure that we ensure that these new CATs, they're nimble, they're agile, and they allow for greater collaboration, especially with this new Innovation Hub. And this Innovation Hub will allow for additional monies to be able to ensure that there's greater collaboration and also to -- and also to make sure that we can make the right bets on the industries of the future.

This is all in the context that we're looking to maximize state resources, we're looking to maximize return on investment. And in terms of ROI, we want to make sure that we have ability to invest into the industries of the future and ensure that we're creating jobs, and in that way making sure that we have the highest ROI.

I can also address your question on money, but I --

SENATOR KAPLAN: Please. Go ahead.

COMMISSIONER GERTLER: Okay. So in doing so, because of the nature of how we look at, you know, the way this would be kind of competitively bid, we believe that there's sufficient funding under our proposal -- because, you know, when you rely on that sort of collaboration, you rely on the technology that is being used in a growing technological economy, one that's often sort of knowledge-based, we believe that you can run the centers, you know, with the funds that we've proposed. We believe that there's greater efficiencies in doing so.

And again, what we are trying to do is ensure that we're looking to maximize state resources, we're looking to get the highest return on our investment that we can and focusing on job creation.

SENATOR KAPLAN: Thank you.

So I've had the pleasure of actually visiting some of these Centers of Technology and Centers of Excellence, and I have to say they really do amazing work. And the partnership between private, state, and maybe

also some of them federal, is amazing to see. And it's amazing to see the kinds of minds that it attracts, people coming from all over to use these centers.

And having 15 Centers of Technology and 13 Centers of Excellence, that's a total of 28. And last year we put in a million for each of these centers, so that brings the total to 28 million, as opposed to the 19.5 million that the Executive has put into the budget.

I personally feel those centers really have a great infrastructure that is already there, that's making New York very competitive in terms of technology, and it attracts a lot of great minds to come here to do the research, and also in terms of products that they are able to produce.

You don't think that it's -- we're really shooting ourselves in the foot by making that even less, and to give those opportunities for the private money that's coming into those centers and us giving them this platform, the 28 million, for the great

work that they're doing?

COMMISSIONER GERTLER: So certainly in today's day and age those public/private partnerships are critical. And, you know, I couldn't -- I couldn't agree with you more.

In this case, what we're saying is that those COEs, after the budget, can competitively bid to become CATs. So all we're indicating is that in the new format we believe that there's now sufficient funds for these to be operating efficiently, to have the sort of return that we believe is possible to ensure that we have the type of growth in industry that we need. Particularly in, you know, industries of the future -- quantum computing, things like that -- that we know that New York's economy has grown tremendously because we've invested in these industries of the future.

That's what we're looking to do. We're looking to do it in a way that we can ensure that we're using our resources in the most efficient way possible.

SENATOR KAPLAN: Thank you.

Could you also address and tell us a little bit about the Entrepreneurship Centers that are throughout the state, the 24 centers, how they get funded, and what are the benefits that you're seeing from those programs.

COMMISSIONER GERTLER: Sure. Well, on a personal level, you and I had the opportunity to visit the entrepreneurial -- the EAC at Hofstra.

SENATOR KAPLAN: Yes.

COMMISSIONER GERTLER: No question that, you know, small business is the backbone of our economy. There are -- and we met many of these younger entrepreneurs, first-time entrepreneurs trying to build their businesses.

Those centers are important to make sure that we can provide the type of entrepreneurial assistance that they need. We are continuing to run and fund those EACs. And, you know, as I said up front, 98 percent of the businesses in this state are small businesses. We want to make sure that the

small businesses can thrive, you know, in this economy. And so we'll continue to operate these EACs.

SENATOR KAPLAN: Okay. I agree with you. I think those centers really do amazing work, helping people who couldn't really do this on their own, and developing these small businesses and helping some of those small businesses really flourishing and growing, which helps in fact to grow the economy within the communities that they're in and adding into more of our economy and also our workforce.

Do you think the $75,000 help that they get, funding that they get, is sufficient? Or do you think we can possibly add a little bit to their funding for the great work that they do?

COMMISSIONER GERTLER: You know, I think -- when we look at it, we think it's sufficient to be able to provide the types of assistance and resources that these companies need.

I mean, sometimes it's just helping

with a thought, an idea; sometimes it's more. But on the whole, we do believe that we have sufficient funds for these centers.

SENATOR KAPLAN: I have to say those programs are really amazing, some of the stories that I heard throughout the state, from Buffalo all the way to Brookhaven. And it was just really great to see how these centers help, especially minorities and women-owned businesses, to pick up and really start their businesses, come up with the idea and a plan and follow through.

Thank you.

COMMISSIONER GERTLER: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: We've been joined by Assemblyman O'Donnell.

And we go to Assemblyman Schimminger, chair of Economic Development.

ASSEMBLYMAN SCHIMMINGER: Thank you very much, Chair Weinstein.

And welcome to your first budget hearing, Commissioner.

COMMISSIONER GERTLER: Thank you, sir.

ASSEMBLYMAN SCHIMMINGER: It may be my last, but your first.

I wanted to ask questions in three areas. First, the RiverBend SolarCity-Tesla project; secondly, the "database of deals"; and thirdly, the very important area of the centers of Excellence and the CATs.

At this hearing last year there was a lot of talk about the Amazon project. The hearing was just prior to Valentine's Day, and Amazon sent our state quite a valentine on Valentine's Day saying that they weren't interested. But that project was a performance-based project, it really was. The Excelsior tax credits, performance-based. Assistance and construction was based upon the construction occurring, okay? That project had a lot of pluses to it.

Many years ago in our state this administration did a project called the RiverBend project in Buffalo, attracting some solar power-related companies. One became the next, the next became the next. And

finally SolarCity, owned by Tesla, occupies this space, which was built and equipped by the state to the tune of anywhere -- the numbers vary anywhere from $750 million in expense to $950 million in expense. Almost a billion dollars to build a facility, lease it for them for a dollar a year, okay.

There are certain commitments in terms of jobs to be created, 1460 jobs by the middle of April next year -- next month. Time flies. And there's a penalty if they don't do that. That's the only performance-based aspect of this RiverBend project. The penalty is a 41.2 million penalty recurring year to year to year that they are short of their obligations.

Last year at this hearing I asked Commissioner Zemsky -- because many times with these clawbacks, the agency figures out a way to -- well, maybe there was some extenuating circumstance, an extenuating circumstance. Zemsky was very clear in his answer to my question. When I asked "Will you enforce this clawback?" he said "Yes."

Okay?

So, Commissioner, my first question to you is, will you enforce this clawback? And talk to us about how you're going to calculate the 1460 jobs.

COMMISSIONER GERTLER: Well, thank you, sir.

Let me give you some context first about RiverBend, although I know you're very well familiar with the history. I had an opportunity to go to the RiverBend facility last week, did a tour. I was pleased to see the facility hustling and bustling, and really excited when someone told me that that used to be a steel factory many years ago.

And so to see a facility that is focusing on the importance of the green economy, which is an industry of the future -- a critical priority for our agency, a critical priority for the Governor, a critical priority for the Legislature -- was, you know, exciting to see.

There are, as you point out, very strict job requirements. Last year there

were 500 that were -- as a requirement; they surpassed that. There was also an investment that needed to be done as well of $130 million. This year, as you rightly point out, on April 30th they need to reach 1460 jobs. They also need to make an investment of $472 million cumulative investment.

I can tell you -- and I was pleased to see -- they are, from all accounts, looking to do a lot of hiring. They have done a lot of hiring. Their quarterly report indicated that they've done a lot of hiring. They've hired individuals from some of the training centers in and around Buffalo, which is exciting to see that the whole ecosystem is working, that it's playing an anchor role in terms of hiring, you know, young individuals to be part of that. And as you know, it's also expanding its production lines. So there is a lot going on.

All that being said, I certainly understand that I'm in a role where I need to protect state resources. There was a lot of

money that has been devoted towards that. We are in the business of jobs. I want to, you know -- I certainly like, as an agency, us focusing on growing jobs. But at the same time, I've read that provision, and I certainly know that there is a penalty clause. And if by April 30th they do not, they do not reach those 1460 jobs, then as you point out, and as my predecessor has said, we're going to have to look to enforce that penalty.

ASSEMBLYMAN SCHIMMINGER: And how will you verify -- let's say that on April whatever it is, mid-April, the 15th, or April 30th --

COMMISSIONER GERTLER: April 30th, sir.

ASSEMBLYMAN SCHIMMINGER: -- April 30th, they say "We have 1460." You going to believe them? You going to verify it? You going to talk to the Tax Department, Labor Department? How do you know that they actually have 1460?

COMMISSIONER GERTLER: Well, certainly

there's a number of different ways that we can do so. You know, ultimately from the Department of Labor we can verify that.

Our team -- and I will assure you that the ESD team is focused on making sure that they do that hiring. And, you know, we will have to perform our duty to make sure that they reach that 1460 number.

ASSEMBLYMAN SCHIMMINGER: Okay. Database of deals. The history on this is that we in the Legislature attempted to get this into the budget for a number of years, a statute that would clearly delineate what a database of deals would look like.

At the end of the day, last year in the budget, there was simply a half a million dollars put into the budget with a sentence or two saying that there shall be created a database of deals. Your agency has proceeded to do that, or proceeded along that path.

My greatest interest is in the framework that is used. If I were creating a database of deals, I would create the framework and then plug in the data, let the

data -- let the chips fall where they may. The idea is objectivity and transparency.

You've got a company that's now doing this work. What process are they using? Are they first building the framework, sans the data, or are they building a framework around the data so that maybe things will look good? What approach are they taking?

COMMISSIONER GERTLER: Well, let me give you a little bit of progress on that end, although I know that you are aware of some of the progress.

So first of all, $500,000, our board approved the monies for that project. We've hired the contractor, the IT contractor. It was an MWBE company who is working towards creating and completing that database. The goal is to have that completed by the end of this year.

And as you point out, it's critically important that that database is searchable, that it is transparent, that it reflects a number of the data points that the Legislature has wanted. And simply making

sure, most important, you know, funder, recipient, monies, location, benefits to community, you know, jobs et cetera -- so all of that is important.

To do so, you need to create that framework to be able to put the data in. You need to know what are the fields that you need to build towards before you put, you know, the data in. So they're in the process of doing that work now.

You know, this is, you know, important for the agency. We want to make sure that our deals are searchable and transparent. Certainly in our annual report each year we disclose all of those deals, they all become public. But with a database that is searchable, it just makes it that much easier so that the public, the Legislature, legislators, can have easy access to see all the information that you want.

ASSEMBLYMAN SCHIMMINGER: I think it was Ben Franklin who said leave well enough alone, sometimes, when something is working.

Our Centers of Excellence and CATs,

they're working, they're a budget bargain, historically flat appropriations. They do a lot with less. I'm a little mystified why we're going to reform these two programs. But maybe you can summarize an answer in the next four seconds --

COMMISSIONER GERTLER: You know, times --

ASSEMBLYMAN SCHIMMINGER: -- two seconds -- one second?

COMMISSIONER GERTLER: Times -- times change.

(Laughter.)

CHAIRWOMAN KRUEGER: You're going to get asked that question again, don't worry.

(Laughter.)

ASSEMBLYMAN SCHIMMINGER: And again and again and again.

(Laughter.)

CHAIRWOMAN KRUEGER: Senator Joe Addabbo.

SENATOR ADDABBO: Commissioner, good morning. Thank you so much for your time today.

COMMISSIONER GERTLER: Good morning, Senator.

SENATOR ADDABBO: We appreciate it.

I chair the Racing, Gaming and Wagering Committee, and projected for 2020 is $4 billion for our state in terms of receipts, which is roughly a $300 million increase from last year. I know that of that $4 billion, it is estimated the localities will get 211 million, to localities, which is also an increase from the prior year, about a 140 million increase from last year.

So the gaming industry is a great economic generator for our state, as we even look this year to other potential avenues, initiatives, like mobile sports betting. I guess my question is, your interaction, your department's interaction with the Gaming Commission, do you have regular conversations on how maybe possibly to improve gaming revenues and its distribution throughout the state?

COMMISSIONER GERTLER: Thank you, sir.

So I'm going to let our COO,

Kevin Younis, shed light on this. Thank you.

ESD COO YOUNIS: That's actually a pretty easy one. The answer is we don't have significant interaction with them on a regular basis. We were --

CHAIRWOMAN KRUEGER: Would you talk into the microphone, Kevin?

ESD COO YOUNIS: We don't have significant -- we recognize the value of the industry, and certainly the Governor was supportive of bringing those casinos and other opportunities to New York, but not regularly.

SENATOR ADDABBO: You know, again, given that the potential is there not only to realize what we are currently realizing, but certainly to increase that, to maximize the potential for revenue -- which in turn is educational funding and, again, Aid to Localities -- I encourage your department, as you are acting commissioner, to reach out to maybe Rob Williams and talk to the Gaming Commission about how to better maximize, again, that revenue and again, in turn,

benefit our residents.

As we go through, again, ideas about how to expand credibly, in a very methodical and very analytical way, how to expand the gaming revenues that our state could realize. So I appreciate the efforts.

COMMISSIONER GERTLER: Duly noted, sir.

SENATOR ADDABBO: Thank you very much.

Thank you, Madam Chair.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Stirpe.

ASSEMBLYMAN STIRPE: Good morning.

COMMISSIONER GERTLER: Good morning, sir.

ASSEMBLYMAN STIRPE: Let's go back to the Centers of Excellence and CATs. In your statement you said that you were combining them and making them compete for grants because you wanted them to focus on relevant technologies or, you know, things of the future with good jobs.

But aren't all the Centers of Excellence already -- their missions are identified with future technologies? I mean, you have optoelectronic systems, you have indoor environmental stuff, you have alternative energy, healthy water. I mean, all these things I think are pretty important, and they're going to be things we still need to do in the future, so why are we changing this?

COMMISSIONER GERTLER: So I guess I'll be a little bit repetitive, and I apologize.

But, you know, the -- in today's economic world, things by virtue of technology, by virtue of globalization -- you know, the world is changing. You know, in wanting to maximize our state dollars and putting the benefit not just on the center but more on industry to ensure that we're creating more jobs but also being able to ensure more collaboration -- which is really, you know, what is needed today as these industries become more knowledge-based focused, to ensure that there's a lot more

collaboration -- that is why we're looking at doing that.

With this structure, with the Innovation Hub to allow for greater innovation, to allow for the dollars to be put to make, you know, better ROI on these industries, you know, it's really at a time when we're looking at, you know, how is the world changing and how do we maximize our dollars.

What I might do is I might have Kevin add to what I'm saying since, you know, I want to make sure that you sort of understand sort of the differences that we see in terms of investing and placing greater emphasis on the industry benefits, on collaboration, on making sure that these centers -- which are vitally important, which support, you know, public-private partnerships, to ensure that we see the collaboration and the ROI that we seek in today's world.

ESD COO YOUNIS: Thanks, Eric.

Assemblyman, I think, as Eric said, the point of the changes primarily focus on

one competition, so that the centers are all competing for designation. And we think competition is always good.

Currently the COEs are lined out in the budget annually. So that that's one thing, to put all of the centers into one system -- to Eric's point about changing technology, when we rebid the CATs, typically we do a review of the technology. So for example, today we don't have any centers in quantum computing. That would be something, you know, that we'd need to focus on.

I guess one other thing is the $1.5 million for the hub is really, as Eric said, is about bringing the centers together to focus on a problem.

So currently the centers are relatively isolated. They all do great work, the Centers of Excellence, CATs. But bringing together to focus on, say, for example, smart cities, multiple technology nodes that multiple centers should be contributing to.

ASSEMBLYMAN STIRPE: All right, before

I run out of the time --

ESD COO YOUNIS: Sorry.

ASSEMBLYMAN STIRPE: I mean, let me just state, you know, $26.7 million for all the CATs and all the Centers of Excellence -- between 2017-2019, they have helped created or retain 9,816 jobs. They have created related economic impacts of $2.57 billion. Their annual return on investment is anywhere between 25 to 1 and 45 to 1. I don't know any other economic development program the state has that has that kind of return on investment.

And still I can't understand why we would change how they're working. Because, I mean, they're working extremely well with just, you know, a little bit of money. I mean, the smart thing to do, if anybody in the private sector was doing this, would be to double the investment in that and get an even bigger return.

CHAIRWOMAN KRUEGER: Thank you.

Senator Helming.

SENATOR HELMING: Thank you,

Senator Krueger.

Commissioner, thank you for being here this morning.

COMMISSIONER GERTLER: Thank you.

SENATOR HELMING: I represent an area in upstate New York, and I just want to talk for a moment about small businesses and their struggles in upstate. I was reading a report by the Empire Center last night -- it was published in January of this year. It stated that since the recession has ended, upstate New York has gained private-sector jobs at one-third the national rate and less than one-quarter of the downstate rate.

During the same period, only three states in our nation -- Connecticut, West Virginia, and Wyoming -- have lower private job creation rates than the upstate region.

As you know and I think most people on this panel know, upstate businesses and communities face many, many challenges. Business owners, including so many farmers, have talked with me and shared with me their

concerns about New York State's high taxes, high energy costs, onerous and duplicative regulations -- and I've seen this myself, the inconsistent interpretation of rules by regulators, long wait periods for permits, and even you mentioned the MWBE program. Try and get a certification or a recertification processed in a timely manner. It's just not happening.

Community leaders, elected officials that I talk with, they're frustrated by the inadequate infrastructure that limits their ability to attract new businesses and for existing companies in their communities to grow. Funding for our local roads and bridges falls far too short, and the same is true for upgrades or expansions of public water and public sewer systems that businesses need. And of course we're all too familiar with the lack of broadband services throughout many areas of our state.

Commissioner, in your presentation you mentioned workforce developments and the important pipeline that's created to help us

address the workforce shortage. I don't think I'm going to have time to ask a question about it; I will later on with some of the other folks who will be here.

But I'm concerned about, in the Executive's budget, he talks about changes to our BOCES program, which creates a wonderful pipeline of skilled workers primarily focused on trades. It's a great opportunity for our youth. But I'm going to reserve that for later.

I want to return for a moment to the Centers of Excellence. I understand everything you've said. I understand that when the Executive proposed this consolidation, he's reducing the funding for the centers by almost $4 million. I've been able to see the excellent, excellent work that the Centers of Excellence do, up close and personal, through the Center of Excellence for Food and Agriculture, which is located right around the corner from my district office.

If the reason for the proposed

consolidation is to better focus on centers with the highest performance, does the Executive Budget also propose the elimination of START-UP NY or any of the other economic development programs that have drastically underperformed on their job creation goals? Or does this budget really only target the Centers of Excellence?

COMMISSIONER GERTLER: Thank you, Senator. A lot to address.

Let me start off with your comment about upstate New York and the investments that this Governor has been making. I think -- you know, I think the Governor has made more investments in upstate New York than almost any other governor. And, you know, we've seen this and we've seen the -- you know, the fruits of that investment in many different ways, and certainly through the REDC program, where we've had a bottom-up approach. So really an opportunity to listen to the regions, to help us determine what is best for those regions.

And if we look across some of the

statistics and certainly some of the statistics that I look at, unemployment is low across the board --

SENATOR HELMING: Commissioner, I don't want to be rude and interrupt. We have less than a minute.

If you can answer the question on whether or not the Executive Budget proposes the elimination of START-UP NY or, like I said, any other economic development programs that are underperforming, I'd appreciate it.

COMMISSIONER GERTLER: So with respect to -- with respect to START-UP NY, we have seen successes with START-UP NY, certainly in the Buffalo area.

At a time when you need sort of that confluence of private sector and public partnership, we've seen many different businesses grow on the campuses in Buffalo.

We value START-UP NY as a tool in our toolbox to help ensure that we help create additional job growth. So I think from our standpoint, and certainly many of the businesses we've seen up in the north -- I'm

just using, you know, that region -- we've seen successes there.

SENATOR HELMING: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Jones.

ASSEMBLYMAN JONES: Good morning, Commissioner, and thank you for being here.

I have a couple of questions for you, so I'm going to let it rip here. I want to touch back on broadband and where are we with that program.

Broadband is extremely important to all of our state, but in the North Country where I am from, we have a lack of access to broadband. And every year I come here and I ask this question and we say we're 98, we're 99.5 percent covered. And a lot of that coverage comes from satellite technology, in my area especially, and that's just not acceptable to my residents.

I want to ask where we are with the broadband rollout. I've worked very closely

with your office, with the Broadband Office. I appreciate their work. But I want to know where we are with that.

And I also serve on the Upstate Cellular Task Force that the Governor put together, with some of my colleagues from upstate. I am pleased that the Governor had mentioned upstate cellular and coverage during his budget presentation and his State of the State. But in going through the budget itself, I did not really see any specifics there related to helping us get cellular service. We all know that broadband and cellular service is extremely important to our economy.

And one other point I have to make, I have to get back on MWBE, the requirements. I am okay with the requirements, but over and over and over again I have businesses coming to me that say they can't get certified, they can't get recertified. It's almost an insult to them what that office is asking of them. The investigators often tell them, over and over again, they need more documents, they

need more of this, they need more of that.

People come to me, I know they're women-owned businesses, I know they're minority-owned businesses. How can we convince that office that they are, so they can get certified and recertified? That is actually hurting the economy where I am from, because they can't meet the standards on state contracts, they have to go other places in the state or, even worse, out of state to meet those requirements.

So please, we need some help in that area, we really do. There's not a week that goes by that I don't have minority- or women-owned business that say they can't get certified or recertified. We just really need to follow up on that.

But if you could touch on those in the limited time that we have.

COMMISSIONER GERTLER: Okay, sir. Let me take it in order: Broadband, Cellular Task Force, then MWBE.

ASSEMBLYMAN JONES: I know it's a lot, I apologize. But it's important to my

residents.

COMMISSIONER GERTLER: I'll try and get through it, sir. And of course always happy to talk to you afterward.

With respect to broadband, we certainly understand, the Governor understands that broadband is critical as far as the infrastructure. Accessibility today is critical. You know, if you look at where the state was before this program, 30 percent did not have access to broadband -- upstate, 65 percent. So those numbers were, you know, unacceptable. We realize that.

We have been working to improve that now. We have completed 98 percent of broadband accessibility.

But -- and I think you may know this -- I actually earlier in my career worked as an attorney in the broadband area. Laying fiber, the infrastructure fiber, is extremely expensive. And in some areas, in rural areas, it's cost-prohibitive. But we still need to make sure that people have access to broadband. Through fiber, that's

often 100 megabits. On satellite, 25 megabits, you know, is certainly extremely helpful in making sure that individuals get accessibility.

And so we're trying to be creative to ensure that people have that access. We can't always do fiber. The ROI is just prohibitive. And that's why in certain areas we've turned to satellite functionality. And by the way, there are other advantages to having, you know, satellite always on and so on.

Let me move quickly to Cellular Task Force. The Governor has also focused on the need for cellular coverage. For a whole host of reasons, we get it. You know, the connectivity on cellular is critical. There's safety reasons why you want people to be able to be in touch with their loved ones.

Same thing in the cellular business, there are patches where for a variety of different reasons the ROI does not make sense. What we're looking to do to help that process is we're easing the permitting, we're

easing the regulatory part, we're easing a whole bunch of different efforts that don't necessarily require the monies to help to ensure that coverage is present.

CHAIRWOMAN WEINSTEIN: Thank you.

Senate?

ASSEMBLYMAN JONES: Okay. Please look into the MWBE requirements. It's very important.

COMMISSIONER GERTLER: I'm happy to discuss that with you, sir.

ASSEMBLYMAN JONES: Thank you, sir.

CHAIRWOMAN KRUEGER: Thank you.

Senator John Liu.

SENATOR LIU: (Pause for mic.) Thank you. I've got it. It takes five seconds. Thank you, Madam Chair.

Welcome, Commissioner. It was great to walk over the Brooklyn Bridge with you last month against hate and antisemitism. And congratulations.

COMMISSIONER GERTLER: Thank you, sir.

SENATOR LIU: And I'll just give you advance condolences, if you ever feel the

need to accept condolences on your new position.

COMMISSIONER GERTLER: (Laughing.)

SENATOR LIU: You testified that the program will have $1.4 billion in tax credit awards. That's -- is that part of this year's budget, $1.4 billion?

COMMISSIONER GERTLER: The -- you're saying with respect to the -- with respect to the tax credits?

SENATOR LIU: Excelsior, yup.

COMMISSIONER GERTLER: So the reference was to the amount of tax credits that have been provided in the past. I'm just going to make sure.

But, you know, on an annual basis, those tax credits are really -- look at it as being fiscally neutral. I mean, you know, they're investments into businesses, into jobs, and have a positive ROI, so.

SENATOR LIU: Okay. But they're actually expenditures, right? Even though you're not actually writing any checks, it's just $1.4 billion less revenue coming in.

COMMISSIONER GERTLER: Well --

SENATOR LIU: I understand you're arguing that it's because of $10 billion of financial -- securing financial commitments of $10 billion.

COMMISSIONER GERTLER: Correct.

SENATOR LIU: But it's still costing $1.4 billion.

COMMISSIONER GERTLER: So, you know, we look at it from a different perspective. You know, we look at it that those have been leveraged. It's creating revenue that wouldn't otherwise have existed without those tax credits.

So, you know, it's a net plus by providing those tax credits.

SENATOR LIU: Yeah. I mean, if I was a small business person and I wanted to generate -- I wanted to open up a business in the State of New York and potentially generate, you know -- I'll be aggressive here, generate a million dollars in taxes for the State of New York, would I be able to get $140,000 back? Because that's basically what

you're saying here: $10 billion of revenue that would not be generated, presumably, if you didn't provide the $1.4 billion of tax credits.

So my question is, well, what if I just wanted to generate $1 million? Can I get a 14 percent discount on my taxes?

COMMISSIONER GERTLER: Well, you know, with due respect, we just look at it differently. That small business may not be in the State of New York, you would not have those dollars --

SENATOR LIU: I know but I'm saying I will --

COMMISSIONER GERTLER: -- those jobs would not necessarily have been created.

SENATOR LIU: I'm coming to Empire State Development Corporation and saying, Hey, I want to open up a business, and I guarantee you X number of jobs, $1 million of tax revenues a year. Can I get a 14 percent discount?

Sir, the answer is no, the state would never do that. Yet it would do so for very

large companies, obviously, like Amazon and other companies that the state thinks will create a lot of jobs.

I will tell you -- Assemblymember Schminger {sic} asked you about the -- I'm sorry. I'm sorry for brutalizing your name. Schimminger.

ASSEMBLYMAN SCHIMMINGER: Schwarzenegger.

(Laughter.)

SENATOR LIU: Assemblyman Schimminger asked you about the Tesla plant. And by all indications, they're not going to make it. In fact, they've been cutting jobs.

So I would definitely join Assemblymember Schimminger in asking your team to be ready to clawback that money, because they're not going to make it. I'll make you a -- how much you want to make a dollar bet that they're not going to make it.

All right. So anyway -- I can't believe how quickly five minutes goes. I want to say that -- and I join some of my colleagues in saying that the Centers for

Advanced Technology and the Centers of Excellence, they are really good investments. I mean, that's where we should be putting money -- not in tax breaks for specific companies, but building our development infrastructure. And to cut that when we're trying to create even more jobs, that's just penny-wise, pound-foolish.

But there's even a bigger problem. Many of these centers are located on SUNY campuses. What do you think you need to -- at these SUNY campuses to make these centers actually work? Yes, you need private-sector partners, but at the end of the day, they're located in universities because that's where our talent, that is where our intellectual talent is. And I'm talking about not only the faculty, but students.

And yet we don't invest in SUNY and CUNY nearly enough. We're missing the forest for the trees when we're just looking at developing these centers -- which we should do more of -- but making it less and less accessible to the students of this state.

The state is paying less and less of the operating costs of our SUNY and CUNY campuses and having the students shoulder more of it.

Madam Chair, thank you for your indulgence. But please, I know you're committed to economic development and creating jobs, you said so yourself, jobs in this state. We need to invest in education. Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: Assemblyman Stern.

ASSEMBLYMAN STERN: Thank you, Madam Chair.

Good morning, Commissioner.

I wanted to focus on the definition of public works to include construction projects that receive an amount of public funds and/or public benefits. I wanted to focus a couple of questions this morning particularly on clarity and definitions and procedural requirements going forward which could potentially have an impact on my home region

of Long Island when it comes to attracting and maintaining jobs, and have an adverse impact on economic development particularly when it comes to the creation of workforce housing.

And I'm going to make three points. I'll ask the three points in the interest of time, and perhaps then get your response.

First, IDA incentives don't directly offset construction costs. They offset the real property tax costs, purchase of materials, the mortgage recording costs for purchase of property.

The question is if the value of an IDA incentive is included in the numerator for purposes of the 30 percent formula, are the property costs, materials purchased and all the property taxes paid during the life of the abatement going to be included in the denominator? Is there going to be that offset in the formula?

And I would ask that we consider not just construction costs but total project costs when it comes to plugging in those

numbers.

My second point is many IDA incentives are provided to mixed-use development and/or adaptive reuse projects across all of New York State. They provide much-needed market-affordable workforce housing, IDA incentives, and they function very much the same way as 421-a exemptions do in New York City.

So my question here is, why would 421-a exemptions be exempted but IDA incentives are included, again in terms of this formula?

Lastly, an IDA property tax abatement -- it's not received at the time of or during the construction of a project, it's provided over many years, depending on the duration of the PILOT. The value of an incentive at the time of approval varies greatly over time.

So my question is, is there any consideration to the present value of an incentive versus the value of that same incentive over the length of the abatement?

These are moving estimates. And so going forward, perhaps over a long-term abatement period, how is it being considered that there is a present value or a future value for purposes, again, of creating the formula?

Thank you.

COMMISSIONER GERTLER: I'm going to sort of provide a general structure. I'm going to have my colleague Kevin Younis get into some of the specifics.

You know, obviously your question raises the point about prevailing wages and how do we structure that for -- under the new proposal. So obviously a minimum $5 million cap and then 30 percent, as you point out, if there's 30 percent of public funding -- well, let me put it another way. If it's less than 30 percent of public funding, there will be no prevailing wages attached to that project.

You identified a number of different types of projects. And, you know, under the proposal there are certain exclusions. You talked about affordable housing. Affordable housing would be one of those that would be

excluded. And, you know, and just one more point before I turn it over to my colleague.

On the flip side, in terms of the balance and ensuring that we're also under prevailing wages ensuring that we are obviously under that formula paying workers more but also realize that, by doing so, we're able to get higher-skilled, more expert labor on those projects, which could in fact -- and I've seen this in many cases -- make the project more efficient, more effective.

Now let me turn to my colleague to talk to some of the specifics that you raise on the funding threshold.

ESD COO YOUNIS: Thanks, Eric.

Assemblyman, the one thing I would add to Eric's point is that our understanding of the bill is both the incentives and the project costs that are in the calculation are those related specifically to construction.

And I think that was a point you made in terms of the numerator/denominator. Our understanding is that those are both numbers

that are constrained to construction costs and to construction-related incentives.

CHAIRWOMAN WEINSTEIN: Thank you.

We've been joined by Assemblyman Epstein.

We go to the Senate.

CHAIRWOMAN KRUEGER: Senator Jim Tedisco.

SENATOR TEDISCO: Thank you, Commissioner, for being here today and for your service.

I really like how you started out and appreciate those four vibrant pillars you talked about for economic development. I was wondering if you thought we could consider you, as the leader of our economic development programs, and the Governor and the Legislature adding a fifth vibrant pillar, and that would be a pillar that incentivized New Yorkers to stay, live, work, build a business, create jobs, get their kids' educations in New York, and attract and incentivize others to come to New York.

Basically what I'm talking about is an

issue that's probably better called the elephant in the room, or in every room in New York State. It's the exodus of people leaving New York State, and how it might relate to economic development and the work you do, the work we do, and the work the Governor does.

I know you probably know the statistics: 1.4 million people left the State of New York in the last decade; 189,000 walked out last year alone. Number one in outmigration for the Empire State. Mr. Commissioner, if we continue in this trend, we won't be the Empire State, we'll be the Empty State.

We have to change course direction I think in some ways as it relates to a lot of issues, but economic development I think is one of those. The statistics which are really disconcerting and dangerous to us, I think, is the fact that the people who are leaving -- and the statistics show this -- are those who are $150,000 in income or more. These are the people that can afford to leave

New York State now. The people who are staying, I think it's 8.2 percent, are those in the lower-income brackets.

The real concern I think you should have and we should have and the Governor should have is how can we balance a $170 billion budget if we're no longer "I love NYS" but "I leave NYS." We have to retain people who live here and attract others to come here, especially those who want to build and grow a family, create jobs, create a small business, and those economic leaders in the state.

Infrastructure, education, our libraries, our senior citizens, our most vulnerable populations, healthcare -- those are all programs built into a $170-plus-billion budget. We're not going to be able to afford budgets -- there won't be a $6.1 billion deficit if we continue this trend, we'll go bankrupt in New York State.

So I think my question to you is, how do you square what's happening with economic development in New York State with the trend

of people being number one -- 189,000 walking out of New York State -- of all 50 states in the nation in losing population?

And it relates primarily to where I live in upstate New York. I think the city is doing pretty well attracting individuals. Long Island has probably stabilized. But the fact of the matter, when someone says it could be the weather, it might be somewhat, but the statistics show 16 percent are walking out and going to New Jersey. Now, Commissioner, that's not exactly the sunny or balmy place in the Northeast United States. So it can't be blamed on the weather unconditionally. There's got to be a lot of other issues.

So what I would ask you is what do you think you, I, we, the Governor can change in New York State as it relates to economic development that can induce people to say, I want to continue to live in New York State, I don't want to walk out and go to New Jersey or Florida or South Carolina or North Carolina -- incentivize them to stay

here and live here and attract others. How do you square the good things in economic development we're discussing and you pointed to with people number-one in leaving the state?

COMMISSIONER GERTLER: So, sir, we obviously look at the data, that data is extremely important. Population trends statewide, cities, regions are extremely important to us. So the data that we have since the last census count, we've actually seen a slight increase in terms of population for New York State.

Now, over the last number of years we have seen an outmigration. There's a number of different factors that is -- that is the result of, and certainly we've seen some outmigration to some of the southern states. There's also been, you know, a change of policy at the federal level. No doubt the change in the SALT deductions, state and local tax deductions have had an effect --

SENATOR TEDISCO: Well, this is 10 years, Commissioner, 1.4 million. It

can't be SALT over a 10-year period.

COMMISSIONER GERTLER: Well, sir, we've -- you know, we've certainly seen an effect of SALT.

We've also seen, you know, this is a state that is proud of our immigrant heritage, a high percent of the residents in New York are from -- are immigrants. We've had a high percentage. There's been, you know, really a war on immigrants; that's also affected things.

There's more data I can give you. I know we're out of time, so thank you, sir.

SENATOR TEDISCO: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: Assemblyman Rodriguez.

ASSEMBLYMAN RODRIGUEZ: Thank you.

And welcome, Commissioner.

I just wanted to focus on one of the areas of investment that are particularly time-sensitive with respect to 2020 Census.

So in 2018, Fiscal Policy Institute

came out with a report stating that separate from other state investments, we would need approximately $40 million to go to community groups to be able to really address the hard-to-count population. So last year we appropriated $20 million to begin those efforts.

Can you tell us a little bit about what our timeline is? The Census starts beginning to take online applications on March 12th. And it's my understanding thus far that we have not released any of that money to community groups to begin to do the counting efforts and activities and ramp up for Census.

And then separate from that, in this year's budget you have a $10 million appropriation to address Census. If you could tell us how that money is planned to be spent, what's the timeline for that, and how quickly is that going to go?

And then just to continue to reiterate that, there are hundreds of billions of dollars at stake in terms of our share, in

addition to, you know, reapportionment considerations. But most importantly, you know, these are funding dollars that we rely on from the federal government. So if we get this wrong, there are billions of dollars at stake.

And I think thus far we're missing the mark, our money is not out the door. You know, we begin in earnest on March 12th but then April 1st is the legislative deadline. And for us to get this right this year, you know, money has to be in the hands of those people who can help in our communities, in our hard-to-count areas to be able to do that.

So if you could speak to that. Needless to say, members of the Legislature are concerned that thus far, the investment is insufficient and from a time perspective, you know, we're not responsive comparative to some other partners.

COMMISSIONER GERTLER: Sure. Let me state at the outset that we share your outlook, that we understand that the Census

count is extremely important, both in terms of the dollars that are at stake as well as sort of the political calculus in terms of how electoral maps get done and so on.

So we are an economic agency, so we'll certainly -- so from an economic standpoint we want to -- we want to have the maximum number of dollars coming into New York State.

You know, to your point, the way we look at it, there was a $20 million appropriation, there's $40 million of services and work through the agencies, and the Governor added another $10 million. And I -- you know, I agree that that money is extremely important to make sure that we get to all the hard-to-reach New Yorkers. We want to make sure that we can count every single New Yorker.

In terms of the process, I can tell you that the application for counties, that is up right now. I think you referred to the dates; we have April 1st is when the actual counting begins. So we are, you know, on top of sort of the process.

We are in -- you know, we are working right now to determine all of the trusted voices to ensure that we can rely on nonprofits that have been designated to help, through the counties, to be able to use those fundings to identify hard-to-reach New Yorkers. We're working with our sister agencies to make sure that we are coordinated.

I'm going to ask my colleague Kevin to add to, you know, some of the efforts and some of the process that we're working on as well.

ESD COO YOUNIS: Sure. Thanks, Eric.

I would add, as Eric said, the applications are online today and due March 2nd.

We have -- for maybe lack of a better term, but the way we have allowed for the money to flow would be typically we do things on a reimbursement basis. This funding will front essentially 70 percent of the available funding, and then the next 20 will be available by some demonstration of the first

70 percent having been spent.

So we'll move the money very quickly to the agencies --

ASSEMBLYMAN RODRIGUEZ: Sorry, I have to interrupt, just because I only have 15 seconds.

I would say reconsider that investment. You have 30-day amendments where you can make revisions to that number. I mean, I think more money needs to go to community groups to be able to do this work. And the reimbursement efforts are sometimes challenging for some of these organizations that are smaller and without a clear time frame for, you know, when that's going to happen.

So I would say March 10th I think is when you're approving these applications for something that happens on April 1st, which means organizations are not going to move unless they know they're going to get something, until that point, which I think puts us, you know, in a precarious position to meet our goals and our deadlines. So I

think more resources are going to be needed, and I suggest you make the corrections in the 30-day amendments.

COMMISSIONER GERTLER: Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

We go to the Senate.

CHAIRWOMAN KRUEGER: Thank you. I think it's my turn. Welcome.

COMMISSIONER GERTLER: Thank you.

CHAIRWOMAN KRUEGER: So the Governor recently announced --

(Calls of "mic.")

CHAIRWOMAN KRUEGER: Sorry. Thank you. We are going to get new ones next year for you.

THE REPORTER: Thank you.

CHAIRWOMAN KRUEGER: The Governor recently announced a billion-dollar public/private partnership with a company called Cree up in Marcy, New York, where -- I'm just looking for the stats, but I believe the estimate was this would cost us a million dollars per job.

One, can you tell me about this? Two,

can you let me know how much the state spent on this facility previously on deals that didn't go through? And three, what are they going to make there?

COMMISSIONER GERTLER: I'm sorry, the last part is what are they going to make there?

CHAIRWOMAN KRUEGER: What are they going to make in this factory?

COMMISSIONER GERTLER: Okay, sure.

So Cree is a silicon carbide company that's based in North Carolina, and it was -- they were looking for a new facility to create their new -- call it their silicon carbide wafers and their chips. This is an industry of the future. This is an area that New York State has invested in previously, and we as an economic development perspective see huge investment opportunity in this particular industry.

So in the announcement that was made back in September, Cree decided that it would move to -- move and create its facility in New York State, really based on two reasons.

One is that they could develop their production line at the SUNY Poly site near Albany, and also the site that was in the Marcy area was ideal for what they were looking to do.

The way the deal was structured in our announcement, Cree would invest a billion dollars to build the site, to bring 614 jobs, to bring thousands of construction jobs to create a facility that would really become one of the most important factors for these chips, which should -- in an era where we're going into autonomous vehicles, smart cars and things like this, this facility would be manufacturing a high percentage of the chips needed for that business.

Going back to the deal, as they completed -- complete the site, jobs, they would be eligible for the $500 million that went to support their location in upstate New York.

CHAIRWOMAN KRUEGER: I'm going to cut you off there for a second, just because I see my clock ticking.

So the 500 million is going to them as tax credits for jobs, not actually the State of New York handing them money? Which is it? Because I thought they were getting --

COMMISSIONER GERTLER: I'm sorry, I couldn't --

CHAIRWOMAN KRUEGER: My understanding was there was 500 million plus Excelsior credits if jobs are created. So the 500 million, that's not us handing them 500 million?

ESD COO YOUNIS: Senator, the 500 million is only a grant. There is a nominal Excelsior tax credit associated with the project.

Primarily, as you know, when a company receives Excelsior tax credits, they are able to get -- some of the energy companies will provide a waiver on the tariff for energy usage, and so that's -- so almost all -- all grant.

CHAIRWOMAN KRUEGER: But the 500 million is a grant.

ESD COO YOUNIS: Is a grant.

CHAIRWOMAN KRUEGER: So in your budget documents, and it's follow-up on Senator Liu's question earlier, where would I see that 500 million?

ESD COO YOUNIS: It's in the reappropriations. It's probably called Nano Utica or something like that.

This was -- I think to your previous question about whether funding was provided to other companies that didn't locate, there was a company announced at that site some years ago that didn't ultimately come, so that funding was appropriated. I don't know the year, but '15, 2015, 2016. And so this funding was available -- none of that money went to that project, but the funding that was originally identified for that was used here.

CHAIRWOMAN KRUEGER: So we legislated this database of deals -- that's the shorthand name for it. Is that up and running? Can I look up this project and all the other projects that we might have nowhere else to go to see what kind of deal's been

made, how much state money has been promised, and what's out the door?

COMMISSIONER GERTLER: So going back to your question on the database of deals, that database will be completed by the end of the year. We're in the process of working on that. We've identified a company, an IT contractor, to do that, it's an MWBE firm. They're in the process of working on that, and that will be completed by the end of the year.

CHAIRWOMAN KRUEGER: Okay.

COMMISSIONER GERTLER: But we've certainly announced that. It's been, you know, in our reports. We've made that information public already.

CHAIRWOMAN KRUEGER: Can you tell me something about the Opportunity Zones program? Is it costing us money? I know it's a federal program, but the design of the zones and where they are was the ESDC, so we decided where the zones were going to be.

Are we spending any state money in addition to whatever the package is from the

feds? How many deals have been made?

COMMISSIONER GERTLER: So as you correctly noted, it is a federal program. We were involved in designating the various Opportunity Zones, I think somewhere in the range of 600-plus Opportunity Zones.

The reality is it's a federal program, so I don't have access to that federal data. So I'm unable to --

CHAIRWOMAN KRUEGER: So they don't have to file anything with the State of New York if they're going to claim that they're an Opportunity Zone project?

COMMISSIONER GERTLER: No, we don't have access to that data.

ESD COO YOUNIS: No, we don't have any involvement with the program. Other than the initial designation, as you said.

CHAIRWOMAN KRUEGER: So there's no matching program with the state that you are trying to offer people or package in some way? It's just something the feds did? The newspaper articles around the country are it's a really bad deal, but it's not

something that the State of New York is involved in?

COMMISSIONER GERTLER: No, it's -- to the best of my -- no, it's a federal tax program, so we have no more involvement after the designation of those zones.

CHAIRWOMAN KRUEGER: Okay. Prior to your getting here, there were a number of fairly major scandals associated with subsidiary corporations set up, run through mostly SUNY Polytech or SUNY Research Foundation or a combination therein. And when I say subsidiary companies, I guess not-for-profit companies, but I've been told they are now under your authority.

Can you tell me what's going on and how you have ensured that the bad business practices of the old regime do not continue?

COMMISSIONER GERTLER: So the team at ESD has been involved since about 2016, and have worked diligently in terms of, you know, writing and sort of, you know, rethinking many of these projects.

The most important -- we've had a

number of accomplishments recently. I mean, this has been a program where the team at ESD has worked very hard over the last number of years, has done a lot of good and positive work to right the ship.

This -- these projects are now under a nonprofit called NY CREATES, which now governs both the projects at Fuller Road and Fort Schuyler. We have also now, you know, brought in an individual, Doug Grose, who oversees that. So these are under a separate, you know, nonprofit that now has good governance, it's got transparency, it has all the things that you would want that we like to see in our deals.

We've also taken a leading role in terms of bringing new clients into it to help ensure that there's a greater financial stability. We have also looked to refinance some of the debt, working on that to make that more effective.

I'm also going to have my colleague Kevin, who has also worked diligently on this over the last number of years, to add to some

of that effort.

ESD COO YOUNIS: Thanks.

I think to your question, Senator, and Eric -- as Eric said, the steps that we have taken to promote integrity of the organization -- so we don't technically manage those organizations at a legal perspective, but we have worked with them to reform their board, to ensure open meetings, to ensure FOIL, you know, compliance with the Public Officers Law.

And so we've taken a number of steps to really address the issues I think you're concerned about.

CHAIRWOMAN KRUEGER: You don't manage them. Are they -- they're independent in what way?

ESD COO YOUNIS: The NY CREATES is -- it's an independent 501(c)(3), as were the Fort Schuyler and Fuller Road entities.

CHAIRWOMAN KRUEGER: I believe you owe the Legislature a report on the broadband program. Do you know when that will be coming out? There was a piece of legislation

requiring a New NY Broadband Program.

COMMISSIONER GERTLER: So we'll look into it and we'll be -- we'll ensure that the Legislature gets that report.

CHAIRWOMAN KRUEGER: Okay. And just in closing, quickly, I'd like to agree with my colleagues who emphasized and expressed their frustration over the proposed changes ending Centers for Excellence, not focusing on investing in the infrastructure needed for entrepreneurs and small businesses to start up and stay open in New York, but rather these giant megadeals that statistically has been proven don't work, and we waste a lot of money.

And I don't think anyone on these panels thinks we have any money to waste in New York State.

Thank you. Assembly?

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Barron.

ASSEMBLYMAN BARRON: Thank you. Thank you very much.

You know, I sit here really trying to

be patient, but when I look at what's happening in black and brown neighborhoods, and we look at this so-called economic development plan, it's not reaching our neighborhoods. We're in a crisis in our neighborhoods. We've got an occupant in the White House that just released a 4.8-trillion-dollar budget cutting food stamps, Medicaid, Medicare, cutting everything in sight. It's a reverse Robin Hood budget, robbing from the poor to give to the rich.

And when we look at this occupant in the State House, blaming everything on Medicaid, $6 billion deficit, looking to cut Medicaid -- but they don't call them cuts. Neither two of those gentlemen call them cuts. They call them savings. Savings. So that we can think that we are saving money, we're not cutting stuff.

This plan doesn't do anything for poverty in our neighborhoods. I don't think if you all been to the neighborhoods of East New York and Brownsville and Harlem and see

the poverty and the unemployment. And when you give unemployment statistics and say unemployment is down, you need to look at the statistics that show "not in the workforce," how many people are not in the workforce, because unemployment statistics are based upon those getting unemployment benefits.

So when I look at the 421-a program in this state that got major, major tax breaks, subsidies -- if you add up all of the subsidies in this state that rich white male developers got, you wouldn't need to touch Medicaid. We'd have a surplus if you cut that out.

So when you look at economic development, we can't look at START-UP NY, that's the Governor's pet program for developers that he's fond of. START-UP NY. It ain't starting up nothing in East New York.

So I'm really livid that we go through this year after year, $178 billion of All-Funds spending budget in this state, $178 billion.

And when I look at the Regional Economic Development Councils awards for a youth workforce development program in Brooklyn, $25,000. For a cultural program that teaches African dance and develops the mind and the cultural enlightenment for young people so that they can do better in the workforce, $32,000.

But yet billions of dollars are given out to white, male, rich developers. Billion-dollar deals, partnerships -- it never comes down to our neighborhoods. And I'm sick of going through these budgets -- that's why I don't have a question for you, because you know how to answer all the questions, or you don't answer the questions, or you talk long enough so our time runs out and you never get to the questions.

MWBEs cannot get certified or recertified. You never addressed that adequately, and won't. So I'm not asking you any question, I'm saying to you that we need to do way better than this.

This is a shame that we have that kind

of money, $4.8 trillion in the federal budget, $178 billion in the state budget, $95 billion in the city budget, 30 percent poverty in my beloved East New York. Thirty percent poverty in Harlem. Forty percent poverty in the South Bronx. Brownsville, impoverished. None of this addresses that.

You and the Governor should be ashamed of yourselves coming forth with this annual budget for economic development. What economic development? In our neighborhoods it's not happening. The rich -- this is a fact -- the rich are getting richer in New York, and the poor are getting poorer in New York.

So I'm hoping that we in the state legislature, my colleagues up here, we should definitely not accept this nor this $178 billion budget that blames all of the problems in the budget on Medicaid. The most vulnerable people in this state are being blamed for the budget deficit. This is a shame.

CHAIRWOMAN WEINSTEIN: Thank you,

Assemblyman.

The Senate has no more questions, so we go to -- oh, sorry. Sorry. We go back to --

CHAIRWOMAN KRUEGER: I'm so sorry.

Anna Kaplan, as chair, has a second round.

SENATOR KAPLAN: It's not a question, really, it's just my understanding the matching grant program in NYSTAR is closed, and I'm sure you're aware of that. I would ask that ESD fund a new matching grant program so that our universities can continue to work with the private entrepreneurs to help start high-tech companies.

These public and private partnerships are the engine that will continue to keep New York State at the forefront of innovation and industry, and we need to do everything we can to support these programs that have been so successful and helped with a lot of small businesses also.

Thank you.

CHAIRWOMAN KRUEGER: (Inaudible.)

SENATOR KAPLAN: I'm good. You could go ahead.

CHAIRWOMAN KRUEGER: I'm sorry. Assembly.

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Tague.

ASSEMBLYMAN TAGUE: Well, good morning, good afternoon, Commissioner.

First of all, I just want to thank you for your service and for testifying here today.

I do take a little bit of issue with one thing that you said. I'm kind of on the same page as Senator Tedisco. I don't believe that the SALT tax deduction is the reason why people are leaving New York State. I would more look at it that it's people are leaving New York State due to high taxes, overregulation, and better jobs.

So, you know, I don't buy the argument about the SALT deduction, because I think Senator Tedisco said it best, the SALT deduction wasn't around in 2010 and it's since 2010 that we've lost between

1.4 million residents.

But with that being said, I want to talk about the climate, just a little bit different type of climate. I want to talk about the business climate.

Our tens of thousands of pages of business regulations have led to our oppressive business climate here in New York State, and many prominent companies have been leaving for more business-friendly states. And I want to just go over some rankings with the State of New York.

Tax Foundation, "2020 State Business Tax Climate," New York ranks 49th. CNBC, "America's Top State for Businesses 2019," New York ranks 42nd for the cost of doing business. And "2019 Thumbtack, Small Business Friendly: A Survey," New York got a grade of D.

You know, simply, here in New York State we're last where we should be first and first where we should be last. So I'm going to ask you a couple of questions here.

Number one, what regulatory burdens

affecting small businesses are your top priorities to address this year? And secondly, how does New York compare to other states when it comes to our regulatory environment?

And thirdly, Governor Cuomo states that New York has 8.3 million private-sector jobs, which is an all-time high. However, between October 2011 and October of 2019, New York lost 25,000 manufacturing jobs, for a decrease of 5.7 percent. During the same time period, over 1 million manufacturing jobs were created nationwide.

Why does New York continue to lose manufacturing jobs to other states? And how can we here in New York be more competitive here in the manufacturing industry?

COMMISSIONER GERTLER: Thank you.

So I think there's certainly a number of different things that we at ESD and the Governor has done to improve the business climate. And certainly, you know, having record high private-sector employment is an indication that these policies are working.

And on the flip side --

ASSEMBLYMAN TAGUE: Doesn't that have to do nationwide? Aren't we experiencing nationwide record employment levels? You know, it doesn't seem just here in New York, it's kind of a trend throughout the whole country.

COMMISSIONER GERTLER: Well, I think the policies that we're putting into place from the REDCs, where we're relying on input from regional -- from various regions; the fact that we have a diversified economy across the state, where we have biotech in Long Island, we got financing tech in New York City, we've got, between Mohawk and the Capital Region -- I'm sorry, Central New York, we've got unmanned -- you know, drone technology. We talked about silicon carbide, those industries.

The fact that we've got this diversified set of industries, investments in jobs of the future, an innovative, growing economy -- we also have a budget in which the Governor has decreased taxes for small

businesses, decreased taxes for corporations, decreased taxes for manufacturers.

So there's a lot of different things that we are doing to ensure that we can continue to grow jobs, grow small businesses, ensure that we're investing into the future. There are a whole host of different things that we do in New York State that other states do not do. The types of strategic bets that we've done. All of that together ensures that we're creating a strong and vibrant economy and one that I think is very well positioned, you know, for the future.

In addition to the fact that life sciences -- I mean, I could continue. But I think there's a whole host of different ways that we're ensuring that this economy is growing.

CHAIRWOMAN WEINSTEIN: Thank you.

The Senate has no more questions, so we go to Assemblywoman Buttenschon.

ASSEMBLYWOMAN BUTTENSCHON: Thank you very much for being here.

I represent the 119th Assembly

district, which is in upstate New York, the Utica-Rome area. And I appreciate your comments in regards to the collaboration that you discussed with the Excelsior Jobs Program and enhancing exports in the State of New York.

I had the opportunity, under the direction of our Chair Schimminger, to hold roundtables throughout the State of New York with many businesses that have been here and are rooted here. With this input that you've provided this morning in regards to the statement of linking these and attracting export industry into the state, I would also ask that you reflect on the importance of the businesses that are here and have been stable and would like to be a part of these tax credits. Which I know that this program doesn't completely link with that, but that is something that was requested through these roundtables.

In addition, my colleagues had talked about the various issues they see with the women-owned and minority business

technicalities that they're seeing in regards to the processing. So I know that my fellow colleagues have brought that up. I would just reemphasize the importance of considering that. I also hear from businesses that have to travel at great lengths to utilize various businesses due to the processing being slow.

And finally, the importance of the linkage to education through apprenticeships, internships that tied directly whether it's in secondary ed, through our BOCES, as well as through higher ed in regards to how we ensure that that pipeline remains significant.

So if you could just highlight a little bit on the Excelsior job program and its linkage to export, please.

COMMISSIONER GERTLER: Sure.

So the -- you know, the Excelsior Jobs Program, when our team at ESD evaluates any particular company, we do a very serious analysis. We take the fact that we can provide tax credits very seriously. We do,

you know, a very detailed analysis of is this company appropriate for these investments, will we see the types of returns that we expect.

What we have discovered, and where we put the emphasis, is on what we call tradable sectors. So these are growing sectors, you know, export-oriented, to help to ensure that we're seeing sort of, quote, even more bang for the -- more bang for the buck.

So I think that's -- we're always making sure that those tax credits are used wisely and efficiently and that they're performance-based. And then we make sure that there are certain sectors, like I talk about, that will be able to avail themselves of those credits.

ASSEMBLYWOMAN BUTTENSCHON: Well, many of them were small business owners that attended the roundtables. So they would be able to be a part of this, as stated with your opening statements in regards to ensuring that the small businesses would have access to this?

COMMISSIONER GERTLER: So I can't talk to those specific companies. Certainly there's been small, growing companies that have received tax credits where -- you know, again, performance- based. They need to hit their targets, hit their results. And these are after an analysis of what we've done.

So, you know -- I don't know if you want to add to that, but --

ESD COO YOUNIS: The program is definitely available to small businesses. There's a job-creation requirement, but the number is, in many instances, like 5 to 10 jobs. So they -- depending on their industry, they can be eligible.

ASSEMBLYWOMAN BUTTENSCHON: And also I want to ensure that I address the agricultural industry, that is very prevalent within the district that I represent, that are concerned about that and embrace in joining the export industry in regards to their products not only leaving this country but, more importantly, staying throughout the states. So we use the word "export" not only

internationally, but within the United States also.

COMMISSIONER GERTLER: Right. All I can say to that is there are a number of different programs where we work closely with Commissioner Ball at Agriculture. We have a, you know, good relationship and we look to support each other, and we understand the importance of agriculture in this state, so.

ASSEMBLYWOMAN BUTTENSCHON: Thank you very much.

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Epstein.

ASSEMBLYMAN EPSTEIN: I want to thank you for being here.

And I just have to really discuss our economic development policy in New York State. And I see it as a huge failure for New York. I see what you're doing is focusing on large corporations, giving giveaways to big conglomerates, and not focusing on where the real economic engine is in New York, where it's small businesses. They're the business drivers, they're the

ones who are helping the middle class, sort of keeping jobs in the community.

Whether it's, you know, what happened recently at Atlantic Yards, what is going on with Amazon -- I really want to ask about the Atlantic Yards, because literally in 2003 there was a deal that happened where we were getting 1242 units of affordable housing. In August of 2019, you worked with a new billionaire who's going to purchase, you gave him an extra 100,000 square feet of retail space. No additional affordable housing in that project. They resell and sell the project.

And so we're seeing lots of giveaways to businesses and big corporations, with no comeback for our community. I'm wondering how that can be a positive economic environment where New Yorkers, as we're seeing, we've heard, you know, middle-class people are leaving, nonstop, across the state. And when you're focusing your economic development projects on these large projects that are giveaways to large

corporations.

COMMISSIONER GERTLER: So as a general matter, as a general matter, let me sort of talk about, you know, our Excelsior program and how we -- how we think about, you know, that type of economic development tool.

Because when we evaluate companies that will be -- who are potentially able to access some of these credits, you know, you used the word "giveaway." I mean, what we do -- and we make sure that these are performance-based incentives that --

ASSEMBLYMAN EPSTEIN: I just have to interrupt you. A hundred thousand square feet of retail space given to the Atlantic Yards developer, given away with no new commitment for affordable housing for our community. No new commitment.

We need affordable housing. And the decision you all made in August of 2019 is just the same continuation of a policy that's a failed policy that gives away billions to large corporations, that doesn't impact communities and doesn't impact real

employment opportunities for low-income people or middle-income people.

There's no plan in place to ensure that the middle class can stay in New York and have good jobs when you could really be investing in community-based organizations, investing in neighborhoods, investing in small businesses. But the model that you create creates a system that benefits the large corporations.

COMMISSIONER GERTLER: So, you know, when we undertake all of our deals and ensure the process by which we go through, we make sure that there are those types of community benefits. They change project by project. You know, it may be transportation upgrades, there may be public parks, there's an emphasis on MWBE requirements -- there's a whole host of different types of community benefits that we make sure happen as part of these projects.

ASSEMBLYMAN EPSTEIN: So why no affordable housing in Atlantic Yards when you made a deal last summer? Why no new

affordable housing?

ESD COO YOUNIS: In terms of the specifics, I don't have all of those at my fingers. But I would just say I think oftentimes the big projects, folks have a misconception that is primarily what we do. It's not.

I mean, the reality is is that ESD has over 30 programs which are targeted to small businesses. Our EAC centers, we have capital access programs, we -- I would tell you that the majority of the people that work at ESD and the majority of our programs do focus on small businesses.

ASSEMBLYMAN EPSTEIN: I have to say that the small businesses in my district and the small businesses I hear from who are trying to get support from ESD, they can't get the support they need.

We talk to micro-lending programs that were helping small businesses, and they need support, and they're not being able to get the support. We've heard a lot of problems with MWBE. It's like I understand what

you're saying, but the reality on the ground is very different.

So just -- I want you to hear that. And the expectation from communities is that's how we have -- that's the engine we need to support.

And the idea that we're giving money or additional FAR to places like Atlantic Yards without making any commitment to more affordable housing is really antithetical to what we need in New York when we have 90,000 homeless people in New York State and you have the leverage in that moment to get more affordable housing.

And I know my time is up, but thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

We go to -- well, first, we've been joined by Assemblywoman Hyndman and Assemblyman Zebrowski. And we go to Assemblyman Friend.

ASSEMBLYMAN FRIEND: Thank you, Madam Chair.

I just want to say congratulations on

your new appointment.

COMMISSIONER GERTLER: Thank you.

ASSEMBLYMAN FRIEND: I'm going to jump right back to SolarCity. I mean, that's a billion-dollar project, practically, that spent on building the facility as well as equipping it.

So I just want to know, do you have an idea of how much of that facility is actually being utilized? Are there actually large pieces that are open? I don't know that the lease that we gave the -- well, not SolarCity, the availability for the state to be able to step in and build a -- lease that out to other companies that would love to use that?

COMMISSIONER GERTLER: So again, you know, with respect to the RiverBend facility, I had the opportunity to visit the facility, I guess last week, took a tour. I was impressed with the hustle and bustle of the facility, the -- all of the workers working on different production lines. From what I saw on the tour, it was being well-used, it

was, you know, fairly busy. They've added different lines.

I mean, if we look at the history of this deal, it went from Silevo, one company, to SolarCity, to Tesla. We've seen, you know, businesses change slightly, and yet they're still doing the solar panel business, but they've now added a production line on charger stations. So they're doing other things. They are relying on the ecosystem to make investments into that facility.

But to go back to your main question, is the facility being used, it is. It's being, I think, well used --

ASSEMBLYMAN FRIEND: But are we at 50 percent utilization, 75 percent?

COMMISSIONER GERTLER: There is -- as we know, Panasonic is also in that facility. But in terms of percentage, I -- I -- you know, again, it's hard to see as you walk around, because it seemed to be pretty full -- but certainly a high, very high majority of it, if not almost complete.

ASSEMBLYMAN FRIEND: Just to kind of

jump to if it's being underutilized -- again, in future contracts, if we can't do it here -- if we're doing these big deals like this, to be able to step in and say if you're not utilizing that space, then the state has an opportunity -- because I know there are businesses up in the Buffalo region, as well as our universities, the COEs, the CATs, would love to be able to jump in and use that.

What about the equipment that we bought for production? Is that being used? I mean, again, that's hundreds of thousands of dollars, millions of dollars are being spent. Did they use it, or is it just sitting there idle?

COMMISSIONER GERTLER: Do you want to address the equipment?

ESD COO YOUNIS: Thanks, Assemblyman.

Certainly some of the equipment ultimately, you know, in that transition from Silevo to SolarCity to Tesla, ultimately wasn't used. But certainly the majority of it is, or is no longer being used.

In addition, Tesla has invested some, you know, hundreds of millions of dollars in additional equipment that it has brought along to the folks on the solar panel -- the development of the solar roof tile.

ASSEMBLYMAN FRIEND: Okay. And then when we're looking at this 1460 FTEs that need to be counted, are we going to allow them to count the Panasonic that they're subcontracting to? Will that be part of the 1460? Or do they have to have all of their own employees?

COMMISSIONER GERTLER: So, you know, again, under the contract, 1460 jobs by April 30th. You know, the Panasonic jobs are not included in that.

ASSEMBLYMAN FRIEND: Okay. Just to jump into -- again, back to small business. Again, we're focusing on a lot of the big glitzy stuff with the technology, which is great. It keeps people kind of motivated and interested. But we do have a lot of the smaller businesses that really aren't as glitzy that really need support in my region,

whether it's from paving driveways, resealing driveways, plumbing, electricians.

So a lot of times those small businesses have one or two or three employees and because of all the regulatory framework that's involved, they may end up having to put one employee just to kind of keep up with that regulation. And is there anything that you can discuss to maybe give them an amnesty period if they haven't hit that regulation and they're hit with a fine, to allow them to comply with that and not be penalized?

COMMISSIONER GERTLER: You're saying for the Tesla jobs?

ASSEMBLYMAN FRIEND: No, no, no. For small businesses. Just, again, jumping away from big companies to really small companies who don't have many employees that are just trying to make the economy work, going out there and starting up their own business.

COMMISSIONER GERTLER: I'm not sure I -- I apologize, I'm not sure I understand the question, so --

ASSEMBLYMAN FRIEND: Oh, I can reach

out to you there.

I just, before my time's up, want to comment on MWBE. We did great strides in work with that last year. It's still a big issue across the Southern Tier, because we don't fit into that 30 percent framework because of the application processes. I appreciate that the Governor is going to try to streamline that process, but what would be even more helpful? To encourage more diversity across the state.

To have more MWBEs in every region of the state would have MWBE certification and qualifications based on a region to, again, keep MWBEs in each region of the state, not just in the cities, which is what we're kind of seeing happen. As well as more certification that they're not just a pass-through, that they're actually providing some sort of skill and subset so that they're learning and hiring wage-earners --

CHAIRWOMAN WEINSTEIN: Thank you, Assemblyman.

ASSEMBLYMAN FRIEND: Thank you,

Madam Chair.

CHAIRWOMAN WEINSTEIN: We've been joined by Senator Borrello, who has a -- we'll go to him for a question.

(Discussion off the record.)

SENATOR BORRELLO: Okay, I'm on now, thank you.

First of all, thank you for your testimony today. Appreciate it.

You know, I know we've already -- that somebody's brought up Amazon and the issues there. And my question is, you know -- and I, as a former county executive, and having our county IDA and sitting on the REDC board, I know how difficult it is to have conversations with people that aren't already doing business in New York State, trying to convince them to come here with a, you know, a hostile environment when it comes to business. And it's a challenge that we've all faced in local government for a long time.

But now, in light of what happened with Amazon, my question is, how are

conversations going with big companies that you're trying to attract to New York, knowing that you could have -- you know, be politically derailed outside of what's happening within your organization? Are you having difficulty talking to companies, trying to attract them to New York, because of the hostile political environment that created the Amazon situation?

COMMISSIONER GERTLER: Thank you, Senator. So we as an agency, and I, were -- we talk to companies all the time. And you know, as you can imagine, different companies have different issues, you know.

Let's take one of the companies we talked about, Cree, which was a silicon carbide manufacturer that was based in North Carolina. They made the decision to come to New York State because they felt it was the best place for them to build their next-generation facility.

I had conversations with their CEO, who is delighted with where they're locating the factory. They were pleased with the fact

that they could identify and obtain the type of talent that they needed. They were pleased with the universities around there. In fact, they are -- even before they are opening up their facility, they are taking a group of potential future workers down to North Carolina to train them for the summer -- summer jobs, so that they can be ready to work in New York.

So my point being is that different companies invest and come to New York for all sorts of reasons. Our team is focused on recruiting, attracting companies from all around the world. So, you know, at -- at this point, you know, we continue to, you know, have good conversations with companies who are looking to come to New York.

SENATOR BORRELLO: You know, in my area we have a company, Truck-Lite, that just announced that they're going to be moving their manufacturing out of Falconer, New York, where they've been since they started in 1955. One of the reasons that they cited to me when I met with them personally was the

increasing minimum wage.

Now, this is a union organization that does not pay a single employee minimum wage. But the pressure, the upward pressure of minimum wage has affected their ability and their profitability because of negotiations with the union.

So are you seeing the rising minimum wage as an impact and a difficulty and a challenge in being able to attract people and keep people here because of that upward pressure?

COMMISSIONER GERTLER: So, you know, it's a balance when you're implementing economic development. On the one hand, the Governor has reduced taxes -- corporate taxes, manufacturing taxes, taxes for small businesses have all come down. That certainly helps.

On the -- on the other side, looking to uplift workers with increased wages, increased benefits. To the extent that you are recruiting higher-skilled workers, that helps businesses. So I think it -- in many

cases it depends on the specific business. But, you know, that balance seems to be working.

And, you know, I've cited the statistic frequently today, but jobs -- private-sector jobs are at an all-time high. So I think that balance is working effectively in New York State. We're able to ensure that we're having a diversified economy, we're making bets in jobs of the future throughout the whole state. And I think that, you know, our program of cutting taxes, of uplifting workers, of using investments through REDCs has been, in large part, very effective.

SENATOR BORRELLO: Well, private-sector jobs are up, but not in upstate New York. In fact, if you remove the Capital Region, there's a net loss over the last 10 years. And it's a challenge that we face, and a lot of it has to do with regulations and taxes, you know, that come out of Albany.

You know, for example, I'm constantly

hearing about the cost of workers' compensation and the many multiples it is over the state of Pennsylvania, which my district borders, 20 times higher in New York State than it is in the state of Pennsylvania.

So those are huge challenges for us that haven't solved any problems in upstate New York at this point.

Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

We go to Assemblyman Ra.

ASSEMBLYMAN RA: Thank you, Commissioner. I just want to go back to the Centers of Excellence and Centers of Advanced Technology. And the conversation about Cree I think underscores the point. My understanding is that, you know, the Center for Advanced Technology at SUNY Poly was instrumental in attracting that type of investment into our state.

In terms of this process and the competitive funding, I know these entities -- I mean, it really runs the gamut of the

different types of technology they're researching and studying. You know, it could be healthcare-related, it could be energy. So what are the criteria that are going to be used to determine who will get that funding?

COMMISSIONER GERTLER: So, you know, what we have, you know, discussed is -- and I've addressed this previously today -- by doing the competitive bidding, what we're looking to do is to, you know, achieve a number of different things. We're looking to focus on forward-looking job creation and industries.

You know, the reality is is that the business world is changing, it's changing rapidly. We want to make sure that we're well-positioned for some of these new industries like quantum computing. We want to make sure that we are maximizing our resources in a way that leads to the highest ROI in terms of industry growth, in terms of jobs. And in -- doing so in a very collaborative way, which is why we have the Innovation Hub, which can help each of the

CATs be able to invest appropriately in these different areas.

Now, we like the competitive bidding process. I'm going to have Kevin address some of the, you know, the specifics related to that, which will happen after the budget session has concluded. But the reality is that in a world where things are changing so rapidly, we want to make sure that we have these CATs that are focusing on industry as opposed to -- as opposed to the centers themselves. Because in that way we can assure that we're using our investment dollars to achieve the maximum ROI in terms of job creation.

If you want to go through some of the specifics on the competitive bidding and how we're thinking about it.

ESD COO YOUNIS: I think we have a limited time base.

But quickly, the CATs currently are competitively bid. And that process includes leverage -- you know, an analysis of leveraging private-sector support, what is

the technology, right, what are the applications for that technology, opportunities for that technology to use -- to be used in New York. And we would imagine the same criteria being used on -- as we move the COEs to the CAT program.

ASSEMBLYMAN RA: Okay, thank you.

I just want to go back for a minute to something my colleague Assemblyman Friend was talking about at the end of his remarks, MWBEs and, you know, the 30 percent goal.

You know, we just renewed the program, as Assemblyman Friend said, there's been some changes made. But, you know, I hear constantly from colleagues in upstate areas about their frustrations and inability to find contractors to meet that. So is that something the department is looking at, or would the department, you know, support some type of regional approach where the goal is -- takes into account the availability of certified MWBE contractors within that particular region of the state?

COMMISSIONER GERTLER: You know, I can

tell you on -- you know, on our MWBE program, I mean, it has been one where we've seen, you know, increases year after year. And as you point out, you know, almost 30 percent of our contracts are to MWBE firms. Nearly $3 billion of our contracts are going to MWBE firms. So, you know, that's nation-leading.

And we're constantly looking for ways that we can improve that program, make it easier on applicants. In one sense we're a victim of our own success -- 1200 MWBE firms are being certified every year.

We continue to think about different ways. So, you know, we are reducing the amount of documentation. We've looked to reduce that documentation by 30 percent. We've looked at increasing the time frame for the validity of those certifications from three to five years. We're adding more staff. We're continuing to look for different ways that we can make that program more accessible to the community.

ASSEMBLYMAN RA: Thank you.

CHAIRWOMAN WEINSTEIN: Senate?

CHAIRWOMAN KRUEGER: Thank you.

Next, Senator Skoufis.

SENATOR SKOUFIS: Thank you very much, Madam Chair.

Thank you, Commissioner, for your service.

My idea of economic development incentives is, as such, it must fit one of these two categories to be appropriate. Either it is to attract a business to New York that would otherwise not come to New York without said incentive, or to retain a business here in the state that otherwise would genuinely leave New York without said incentive.

Do you agree that those are the only two categories that would make an incentive appropriate?

COMMISSIONER GERTLER: So I can tell you that when our team looks at the potential to award incentives, we look at it, you know, very seriously. We do an entire analysis to make sure that, you know, first and foremost we're investing in the right types of

companies that will help to grow the economy. You know, tradable sectors --

SENATOR SKOUFIS: I have a number of questions, so with all due respect, I mean, just -- it's really a yes or no question. Are those the two instances by which you would deem an incentive appropriate?

COMMISSIONER GERTLER: So, look, I will tell you in terms of we try to do our best efforts. Certainly we don't want businesses to leave the state, so that's certainly a good way of using incentives. We also use them to attract -- you know, attract businesses.

But, you know, there may be other ways. I don't have a whole list, you know, in front of me. But we want to make sure, again, that we're using those incentives in a constructive way that's performance- based, to ensure that we're helping those companies, you know, invest in a way that we think is appropriate.

SENATOR SKOUFIS: Okay. It sounds like perhaps there -- you disagree with my

assessment, but that's okay.

So let's say that a business that exists in New York State comes into ESD and says, Well, I'm looking to leave to New Jersey, I'm looking to relocate to Pennsylvania. What do you do to scrutinize those threats?

COMMISSIONER GERTLER: So we do --

SENATOR SKOUFIS: Do you have investigators within ESD?

COMMISSIONER GERTLER: We have a team that looks at exactly that. When we're looking at approving for a company that has said that they're going to leave the state, we go, we make -- we undertake research, we look at where the potential is that they're saying that they're going.

I can assure you that we have a team of people at ESD who take this role very, very seriously, who do a deep financial analysis and also look at the other opportunities that these companies may have to leave. So we are doing that type of research.

SENATOR SKOUFIS: Back in September, the New York Times reported that down in New Jersey there were a dozen companies that made such threats to leave to New York, but what was peculiar was that all 12 companies cited a threat to relocate to a very specific business park in Pearl River, Rockland County.

Are you familiar with this story that I'm referencing?

COMMISSIONER GERTLER: I did read that story.

SENATOR SKOUFIS: Yeah. And the New York Times seems to have done the investigative work that the New Jersey Economic Development Office should have been doing in speaking with the real estate agents for the office park and actually going there and, you know, trying to identify were they even here looking at space.

Do you do that? Does ESD do what New Jersey did not do?

COMMISSIONER GERTLER: As I said, you know, we have a team dedicated, hardworking,

that when a company says that they're looking to move to another location, they follow that lead, they make sure that those -- that, you know, that sort of, quote, unquote, threat is real, and they do the necessary due diligence before we approve that.

SENATOR SKOUFIS: I have no doubt that they're hardworking. I guess my question is, you know, if I were to or someone else was to FOIL, for example, travel vouchers at ESD, would we see that your men and women are traveling to other states on the ground, looking at spaces that businesses are threatening to leave to, speaking to realtors on the ground in these other states? Would we find that that activity exists at ESD?

COMMISSIONER GERTLER: So again, I mean, it is a -- there's a number of different ways that our team looks at ensuring that the incentives are being provided, are being done so in an appropriate way, in ensuring that we're taking the tax credits that we award to companies seriously, in a very serious way, that we're respecting

the role that we have to provide these companies --

SENATOR SKOUFIS: Okay, yeah --

COMMISSIONER GERTLER: And I will tell you that I have asked the question to the team, you know, how sure are we? What work have we done? There's always follow-up, there's always calls, there's always information, they request information from the company.

So we do the best that we can to ensure -- we want to make sure --

SENATOR SKOUFIS: I got it. One last question.

COMMISSIONER GERTLER: -- that those tax credits, when awarded, are done so seriously and effectively.

SENATOR SKOUFIS: One last question. I know ESD, in the Executive Budget, you're looking to extend by I think 15 years the Excelsior job tax credit program.

Do you think that we're getting the return on investment that we should be getting with that program? What do you think

the price tag per job ought to be that would deem this program a good return on investment?

COMMISSIONER GERTLER: We are absolutely seeing an ROI, a positive ROI on the investment that we're making.

CHAIRWOMAN KRUEGER: You know what? We would love that answer in writing, because I think we'd all love the answer to that. And that allows you to put your thinking on paper for all of us. There were a lot of questions today people had that I don't think you fairly had time to answer, so we look forward to written responses.

And I know Senator Skoufis will look forward to it. But we'll share it with everyone involved besides. Thank you.

You're done, Assembly?

CHAIRWOMAN WEINSTEIN: No.

CHAIRWOMAN KRUEGER: Assembly.

CHAIRWOMAN WEINSTEIN: So I have just a couple of questions on areas that haven't been touched yet.

In Market New York the Executive

proposal provides $15 million for Market New York, split between operating and capital. What's the estimated direct economic impact created by the program, and what types of initiatives do these funds support? And are there new initiatives or locations planned? If so, where are they?

ESD COO YOUNIS: Thank you, Assemblymember.

We -- I don't have the direct ROI. We can certainly get the leveraged investment against those. As you noted, it is a split between operating and capital, and the two -- the reason for that split is the operating tends to support what you're marketing, right? So it might be the marketing of a particular cultural event in a region.

And then on the other side, the capital funds are used to support what we would think of as the tourism infrastructure. Sometimes it's the improvement of a hotel up in Lake Ontario. So it's -- that's the type of projects that are supported with those funds.

CHAIRWOMAN WEINSTEIN: So maybe along with some of the other material that you'll be -- responses that you'll be sending us, you could give us a little bit more detail about where the past funding has gone and where the new proposals are.

And I see for the first time there's a new $2 million fund to support diversity efforts within the state's motion picture and television industry. Can you give us any insight as to how the fund will operate, and how will the effectiveness of the fund be evaluated?

COMMISSIONER GERTLER: So, you know, the film industry is an important industry to New York State. We've seen, certainly at a time when there's been robust -- robust creation of content in this area -- in fact, it's one of the great times for content creation, all the shows that are being done, film -- it's an important industry to New York State.

We want to make sure that we are training the workforce of tomorrow in the

industry. We also want to make sure that we have a, you know, diversified workforce. That is what the money's going to go to, as well as 0.25 percent is going to be dedicated to fulfilling that. That's part of some of the -- some of the changes that were done for the program.

CHAIRWOMAN WEINSTEIN: Thank you.

And then I have a question on behalf of Senator Helming.

There have been a number of localized natural disasters in recent years throughout the state, and we spoke at our environmental hearing about the "Restore Mother Nature" Bond Act proposed in the Executive Budget. But does ESD have any thought to creating permanent programs to assist businesses that are impacted by natural disasters with either loans, grants, even if they're not eligible for federal aid?

COMMISSIONER GERTLER: So you make a very important point that we are seeing more and more, you know, climate -- storms that are having severe impact on communities

throughout New York State. You know, these storms that used to happen once every several hundred years now seem to be happening every few years, sometimes every year. And I think in line with that, I think that's part of the reason why the CLCPA was passed with the Legislature.

But it's also a reason why we need to continue to invest in the green economy, why that needs to be a priority. That's certainly a priority that the Governor has made. It's something that ESD will focus on. There are right now -- from our standpoint, we've seen job growth in the green economy grow over the last few years by almost 10 percent, 160,000 jobs in the green economy. And we want to continue that, we want to double down on that to make sure that we continue our nation-leading efforts in the green economy.

So part of the increase in the incentives that we talked about are to ensure that we've got even higher incentives to help companies invest and focus on the green

economy. So both in terms of a percentage of wages, in terms of R&D, in terms of investment, all of those are enhanced to ensure that we can continue to make the type of investments that are critical so that our economy is one that is led by a green economy and to ensure that we are creating those jobs of the future.

CHAIRWOMAN WEINSTEIN: I think part of the question really is though for businesses that are negatively impacted by a natural disaster such as flooding, like we had at Lake Ontario, is there some relief that could come to help support them through ESD?

COMMISSIONER GERTLER: So the -- I was a cochair of the Lake Ontario resiliency, and there are monies that ESD is dedicating to help businesses be able to become more resilient for the future. Thirty million dollars was set aside. We've received applications, we'll look at processing those. And, you know, obviously it's critical that we make sure that businesses are prepared for the next storm.

So I apologize for not answering that in the last go-round, but that is an important part of ensuring that those businesses that have seen the effects of that flooding are able to be prepared for the next storm.

CHAIRWOMAN WEINSTEIN: I guess some of the question relates to the fact that as you said, with seeing in our state increasing effects of climate change, rather than being reactive to a disaster, to be proactive and have something in the budget that could relate to -- that would keep in mind that we may have more of these disasters in the future and that we can have something readily available to interact with businesses that are impacted, rather than have to wait to, post-disaster, come up with some relief.

So that's just something I think the agency should think about.

COMMISSIONER GERTLER: Well, thank you. And that certainly was the approach that we took in this particular case in helping -- you know, in being prospective in

ensuring that the funds that we were using toward these businesses would help them be more resilient for the future.

CHAIRWOMAN WEINSTEIN: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Senator Savino.

SENATOR SAVINO: Thank you, Senator Krueger.

Good afternoon -- is it afternoon? It's almost afternoon. I want to -- I'll be very brief. I just want to talk to you a bit about some of the challenges that we have attracting businesses to New York. It's been referenced before. And I know one of the things that when people want to relocate to New York and we want to incentivize them to come, is they're looking for a well-educated, well-trained workforce.

One of the criticisms of the Amazon proposal in Long Island City -- which I supported, I was not opposed to it -- but one of the concerns was that Amazon was going to come in, or a big company like Amazon would come in and because in New York we have a

huge training gap with respect to technology professionals, that those jobs that were going to be created would not go to actual New Yorkers, and the people who lived there would be saddled with the increased cost of housing and the effects of having a major employer come in like that.

What do you see as the role of ESD with respect to closing that tech gap? It's been reported on. The Center for an Urban Future just released a study that shows that New Yorkers by and large are falling way behind on technology training.

What can we do to improve those circumstances so that we do have the best workforce and we're going to be able to attract those companies who come here, stay here, and actually hire New Yorkers?

COMMISSIONER GERTLER: So there is no doubt that when we are talking to businesses that are looking to locate in New York State, one of the principal differentiators is that we do have a skilled workforce, that we have an educated workforce. And if you look at

any of these statistics in terms of, you know, NIH grants and so on, New York always ranks, you know, at the top, near top, and it's because we do have an incredible education system, we're producing skilled workers.

But, you know, we want to still make sure that we have the next generation of workers that -- just because we're at -- you know, enjoying an economy with the highest private-sector employment, that does not mean that we rest on our laurels and don't help to train.

In many cases -- and I come from, you know, many years in the private sector -- it's led by companies. We need to know what the companies need. And so when we're able to bring companies like an Amazon to New York, they will hire -- they will hire current New Yorkers, but by definition they also must train those New Yorkers too. And that's why, you know, it's critically important that we are bringing these types of companies to New York State.

I've talked about Cree, which is a silicon carbide company. They chose their location near Marcy in part because of the workforce that was around their facility, their ability to help to work with some of the training centers and some of the community colleges. And, you know, their CEO is very proud that they are taking a group of interns down to their facility in North Carolina to train them there so they can see how the process works and then come back to New York.

So, you know, this is a -- you know, it's a partnership. And at the end of the day, the idea behind workforce is to make sure that we're training the types of people that these companies need. Bringing more companies in and working with those companies is a critical part of ensuring that we're doing that.

Now, I will also tell you that there is a $175 million workforce development initiative that's focused on centers of the future, that's focused on, you know,

apprenticeship, focused on training individuals for the future. That too -- that too is important. But in all cases it -- and, you know, and we have our workforce centers, like Northland in -- near Buffalo. It's -- it's all of those things that we need to do to make sure that we are training those individuals for the future.

SENATOR SAVINO: Well, I'm happy to hear that.

I would suggest you take a look at this report, it was just released this week, from the Center for an Urban Future, and it outlines where the gaps are in training, and maybe you guys can help close that. Thank you.

COMMISSIONER GERTLER: Great. Thank you so much.

CHAIRWOMAN WEINSTEIN: Senator Funke.

CHAIRWOMAN KRUEGER: Senator Funke.

SENATOR FUNKE: Thank you, Madam Chair.

Thank you, Commissioner.

COMMISSIONER GERTLER: Thank you,

Senator.

SENATOR FUNKE: A quick question for you -- a couple of quick, very quick questions for you.

How long does it take ESD to put a package of incentives together for a business that may want to relocate to New York State? I've heard like in North Carolina, as an example -- you mentioned North Carolina -- that they can have a package together in 48 hours, but that here in New York State it takes laborious hours to get something put together here.

So what would you say? Is there a time frame that is accurate, or does it vary from business to business?

COMMISSIONER GERTLER: I will tell you that we'll take, you know, sufficient time to make sure that we're doing it properly, that we're doing it effectively.

As I've said before, we take very seriously the fact that we are utilizing tax credits, and at times, you know, there's different committees that it goes through,

there's questions that ESD workers will have, there will be questions that I'll have. We want to make sure that we've answered all those questions before we provide a package for a company.

SENATOR FUNKE: Is there a way to streamline that process, in your mind?

ESD COO YOUNIS: Senator, Kevin Younis.

The one thing I would say, in my experience, generally speaking, we're waiting for the business. We move more quickly in terms of our incentives. You know, we do what -- as Eric said, we do the process appropriately. But more often than not we are -- we're very quick, we're very responsive. And we are, as often as not, waiting for the next step from the business in terms of documentation or a decision.

SENATOR FUNKE: One of the impediments that we hear about, you know, from businesses is the 750,000 regulations we have on the books. Is it ever within your purview to look at those regulations and make

recommendations to the Legislature about getting rid of some of them?

COMMISSIONER GERTLER: So I'm new on this job. And, you know, our focus is to -- again, we're focused on jobs, we're focused on all the different ways that we can help jobs grow in New York State.

To the extent that we believe that there are ways to do something better, we'll certainly, you know, look to -- you know, through either others in the administration or directly provide, you know, those ideas.

SENATOR FUNKE: Given all your time in the --

COMMISSIONER GERTLER: You know, we're focused on job creation, as is everyone else.

SENATOR FUNKE: We're all ears on how we can, you know, best improve the business climate. But you came from the private sector, so I'm curious to know what you think of the business climate in New York State and how you would improve it.

COMMISSIONER GERTLER: So, you know, I had a wonderful career in the private sector,

but it's a privilege to serve the people of this state, to serve -- you know, to serve the Governor.

I have to say that, you know, on personal level I've been, you know, impressed with, you know, the programs, with how New York State is doing. You know, there's areas that, you know, we're looking to, you know, focus on, areas of passion. For example, you know, life sciences; the Governor has made a commitment to life sciences. I think that, you know, that is an industry that has -- you know, already we're seeing benefits -- has enormous potential. We have seen some of the best science that's being done in the world here in New York State.

So -- but, you know, as I and the team figure out better ways to, you know, grow industry, grow jobs, we're not shy. I've had, you know, for example, many conversations, I've gone around the state, I've listened to businesses. There's many suggestions that we've had from businesses from around the state, and, you know, we take

those to heart.

SENATOR FUNKE: I mentioned this last night, late last night. But several years ago the Legislature passed, the Governor signed into law the creation of an innovation technology center in the State of New York, similar to what North Carolina has, to allow high-tech companies to come down and test their wares, pilot programs and so on. And we've got a lot of smart people in our state that should be able to come down here and test what innovation, what technology they have on big data.

This program has never been funded. The technology center does not exist. It's been on the books for two years. I would encourage you, your agency, to do whatever you can to fund that program, because I think it would be a big win. In North Carolina, the first year, they saved $6 million just through the efforts of the private sector, being able to show them what they can do.

COMMISSIONER GERTLER: All right, thank you.

CHAIRWOMAN KRUEGER: Thank you.

I think that is it for you gentlemen. Thank you very much for being with us today.

COMMISSIONER GERTLER: Thank you so much.

CHAIRWOMAN KRUEGER: We look forward to your responses in writing.

COMMISSIONER GERTLER: Thank you.

CHAIRWOMAN KRUEGER: We are making an announcement that clearly this hearing is not going to be over now, since we have everyone else. So for those who have been sitting here patiently, hoping for a -- Taxes is scheduled for 1, likely 2:00, 2:30, if people want to go out and enjoy our fabulous food offerings on the Concourse, or other activities.

Oh, mic. Yet again. This hearing will not be over at 1:00 --

(Laughter.)

CHAIRWOMAN KRUEGER: -- this hearing will probably be over at 2:00 to 2:30, with Taxes starting then.

So those of you who were really

waiting for Hearing II, enjoy our wonderful food on the Concourse or anywhere else of your choosing. Although since OGS is coming up, and they're responsible for food on the Concourse, you can let them know whether it's wonderful or not in your own ways.

(Laughter.)

CHAIRWOMAN WEINSTEIN: We've been joined by Assemblyman Mosley.

CHAIRWOMAN KRUEGER: I don't think we have any new Senators right now.

Hello.

COMMISSIONER DESTITO: Hello. Thank you for the comments.

CHAIRWOMAN KRUEGER: Absolutely, a little pitch.

So we are joined by the New York State Office of General Services Commissioner RoAnn Destito, who was previously an Assemblywoman, so she always gets a lot of love when she's here.

(Laughter.)

COMMISSIONER DESTITO: Thank you, Senator.

Good morning to you, Chairs Krueger and Weinstein, Ranking Members Ra and I see Senator Helming, and the distinguished members of the committees. I am Commissioner RoAnn Destito. I'm pleased to be here today to provide testimony about the Office of General Services.

I really would like to talk with you today about some of the exciting things happening at OGS. Our Procurement Services group continues to lead the way in new and innovative procurements. In August they were nationally recognized by Governing magazine as a top-five procurement organization in the United States. This was one of seven national accolades for our OGS procurement this past year.

We maintain the largest information technology catalogue contracts in the country, attracting New York-based small, MWBE, and SDVOB businesses, as well as many of the largest technology companies in the world. We have approximately 500 MWBE and SDVOB vendors in the IT space alone.

In 2019, we did approximately 40 trainings and outreaches, educating over 5,000 government employees on our contracts, and 3,000 businesses on how to do business with New York State, and did trainings and outreaches for over 8,000 government employees. And we maintained an Amazon-like electronic catalogue of over 10 million items to purchase from, and facilitated employing individuals with disabilities on approximately 216 service and commodity projects across the state.

We added contracts for community solar, intelligent security systems and solutions, statewide laundry and linen services, and telecommunication connectivity services, to name a few, and we continued our success with contracts such as centralized resources for project labor agreement studies and contracts for translation services across state agencies and local governments.

When the Legislature modernized the voting process by authorizing early voting and electronic poll books, our team built a

single centralized contract supporting all 58 local boards of elections, and even found a way to reduce the list of the necessary associated hardware that resulted in administrative savings.

In Buffalo, a dynamic downtown revitalization is underway. OGS, working with state and local officials, determined that in the current competitive and robust Buffalo real estate market, the highest and best use of the Senator Walter J. Mahoney State Office Building is no longer a state office space and that it will be sold at auction later this year. State employees will remain in the downtown Buffalo footprint that currently encompasses more than 600,000 square feet of space leased by the state.

Here in Albany, as part of our work to meet the Governor's clean energy goals, NYPA and OGS have unveiled a new project that takes into consideration legislative, community, and expert feedback, budgetary constraints, and the need to replace obsolete equipment at the Sheridan Hollow Steam Plant.

The project has five major components. First, very happily, we have demolished the old steel smokestack at the former ANSWERS plant. Second, we are replacing the existing obsolete emergency generators with quiet, state-of-the-art emission-controlled units. Third, we are going to electrify one of the on-site steam-driven chillers at the Empire State Plaza chill plant -- and electrifying this one chiller will reduce local gas use and emissions by 18 percent. Fourth, we are installing LED lighting technology throughout the entire plaza complex to reduce energy and statewide greenhouse gas emissions. And fifth, we are in the process of establishing a 38-megawatt solar photovoltaic project at the former Oriskany Airport, a property now owned by OGS. This project would be financed through a power purchase agreement and would generate over 50 percent of the electricity used by the Empire State Plaza.

We are also working on a project at the Capitol Courtyard, which serves as a roof over the basement mechanical space of this

building. The original roof has had multiple layers of reroofing over the past hundred years; the project will repair the leaking roof and reintroduce windows along the Hawk Street passage.

I hope you've noticed the new grab-and-go lunch stop in the LOB, and that is serving up fresh salads, sandwiches and snacks on session days. We've also begun a multiyear phased project to renovate and modernize the public bathrooms in the Legislative State Office Building. All of the renovated bathrooms will meet modern ADA standards, including a family restroom with an adult changing station.

In conjunction with other agency partners, OGS has launched the Employee Zero Emissions Vehicle Charging Pilot Program in targeted OGS parking facilities throughout downtown Albany, the Harriman State Campus, with a total of 64 charging ports. In addition, we have completed the installation of fleet charging stations at our building on Wolf Road in Albany and will complete similar

installations at the Roosevelt Office Building in Poughkeepsie. Additional charging stations are in development.

OGS is also participating in the Governor's Resiliency and Economic Development Initiative, or the REDI program. In addition to serving on the REDI committee and advancing multiple projects for the initiative, OGS is directly managing the $15 million navigation dredging initiative, which is part of the Governor's efforts to dredge 20 sites in navigable waterways and harbors and keep them operational.

In an effort to expand savings and efficiencies for New York State taxpayers, OGS would like the legislature to consider granting expansion of its design-build authority to additional state entities, just as the Legislature did last year for a number of New York City agencies. Granting OGS full DB authority would allow parity for OGS to consider alternative delivery methods, just as other comparable state construction agencies do.

OGS does an excellent job also at growing businesses. In 2011, the OGS eligible MWBE utilization rate was 14 percent, and we are very proud to say that we now have exceeded the Governor's goal of 30 percent. As an example, in that time MWBEs have received in excess of $702 million from contracts associated with our D&C group alone -- up from $538 million at this time last year.

Our success implementing the SDVOB program continues. We have now approximately 770 certified businesses in a wide range of categories, from construction and financial services to commodities. Over the 12 months ending September 30th, New York State disbursed over $103 million to SDVOBs, which represents an 83 percent growth over last year. One great example is Walker Diving Underwater Construction, owned by a post-9/11 veteran who was awarded the largest SDVOB contract, at $9.8 million.

Providing an exceptional visitor experience is a source of pride for the OGS

team. I'm very pleased to report that we have completed renovations at the Adam Clayton Powell Building in Harlem, and we opened up the community room and art gallery, and the Harlem Art Collection has made its first return to the building in over 25 years.

In the mid-1990s a majority of these works in the collection were moved to storage in the basement of the building, where we found them to be damaged by water. The collection was then moved to the building's 13th-floor storage area, where it remained in poor condition and hidden from public view. In 2012, the collection was rediscovered -- while I was touring the building -- and we temporarily relocated it to Albany, where the condition of the artwork was assessed and individual pieces were cleaned and conserved.

Portions of the collection were returned to the Adam Clayton Powell state office building for the 2019 exhibition, titled "Harlem Roots," and most recently for the exhibit "Harlem Art Then and Now: A

Celebration of Community and Contemporary Art."

Over the next year, in addition to sharing this newly renovated space with the community, we will be hosting new public exhibits with additional works from the collection. Also, this year's Black History Month exhibit marks the first time works from the Harlem Collection have been displayed in the State Capitol.

As commissioner, I'm honored to lead the hardworking and dedicated team at the Office of General Services. Their service to the people of New York State never wavers and can be counted on at all times. Thank you for listening, and I'd be glad to answer any questions.

CHAIRWOMAN KRUEGER: Thank you.

Any Senators? Anna Kaplan -- excuse me, not just any Senator, but the chair of the appropriate committee, Senator Anna Kaplan.

SENATOR KAPLAN: Thank you, Commissioner. Thank you for being here --

COMMISSIONER DESTITO: Thank you, Senator.

SENATOR KAPLAN: -- and presenting testimony, and also for serving.

Honestly, I had some questions which you already answered in your opening statements. But if you -- I might have missed this part. If you can give us a little bit of an update on capital spending for the microgrid, an efficient energy system for the Empire State Plaza that was first appropriated in 2017.

COMMISSIONER DESTITO: Yes. We have -- the microgrid project that we did with NYPA, we halted the CHP -- the CHP project and we went into a -- the five things that we did. We listened to -- we listened to the people, we listened to all of the feedback that we received, because we went out and we listened.

So we demolished the steel smokestack. We're replacing the -- our emergency generators, which are needed desperately in the complex, with state-of-the-art

emission-controlled units, and we are electrifying an on-site steam-driven chiller at the Empire State Plaza. So this electrification will reduce our local gas use by 18 percent, so we are very proud of that.

And the LED lighting is included now in this project. And fifth, and more importantly, is we're in the process of establishing the 38-megawatt solar photovoltaic project, which will in fact -- we're financing it through a power purchase agreement with NYPA, and it will generate over 50 percent of the electricity we use here at the Empire State Plaza. And we're always looking at more projects like that with our partner at NYPA.

SENATOR KAPLAN: Thank you.

No further questions.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Zebrowski, chair of the Government Operations Committee.

ASSEMBLYMAN ZEBROWSKI: Good morning,

Commissioner.

COMMISSIONER DESTITO: Good morning, Assemblyman.

ASSEMBLYMAN ZEBROWSKI: Great to see you.

COMMISSIONER DESTITO: It's good to see you.

ASSEMBLYMAN ZEBROWSKI: Let me just first compliment you on all your accomplishments and all the things OGS has done, both invisible and visible, in terms of modernization, in terms of efficiency and many of the things that I think, if you walk around the Capitol complex, you certainly see. So I appreciate all your efforts.

COMMISSIONER DESTITO: Thank you very much.

ASSEMBLYMAN ZEBROWSKI: I just have a few questions related to some sort of technical procurement and other related things in the Governor's budget, if we could just handle those.

The Governor's budget authorizes the Correctional Industries Program of the

Department of Corrections to provide services as a preferred source. Are you aware of what type of services the department is sort of envisioning to be provided as a preferred source?

COMMISSIONER DESTITO: We are not aware of what services. But I will tell you that we are all very much -- our goal is to employ people with disabilities. But any service that they propose will have to come back to the Procurement Council, of which the Senate and the Assembly do have membership, you designate someone on the Procurement Council.

So just giving them the approval -- any service application that they want will come back to the Procurement Council, and we will review it for the authorization.

ASSEMBLYMAN ZEBROWSKI: Okay. So are there any existing MOUs that are currently in effect or that are -- through this budgetary proposal, that are expected? Or is this just a blanket sort of authorization and we'll figure out what later?

COMMISSIONER DESTITO: It's authorization. It's authorization to allow them to provide additional services. But again, the services will have to be -- they will have to provide an application, as everyone -- any of our preferred sources do, and they will have to go in front of the Procurement Council.

ASSEMBLYMAN ZEBROWSKI: Okay. So it's safe to say, though --

COMMISSIONER DESTITO: And be considered by the Procurement Council and go through all of the -- you know, the rigid explanation and the process that we go through.

ASSEMBLYMAN ZEBROWSKI: Okay. So it's safe to say that OGS is supportive of the authorization.

COMMISSIONER DESTITO: We're always supportive of employing and making sure that there are jobs for people with disabilities.

ASSEMBLYMAN ZEBROWSKI: Okay, thanks.

The technology service contracts, there's a part of the budget that authorizes

the director of ITS to issue comprehensive technology service contracts. Could you sort of talk about how OGS currently procures technology services, how other agencies procure that? Do you do that for them? And what would change as a result of that proposal?

COMMISSIONER DESTITO: So we have centralized contracts that we put out there, whether they're our umbrella contracts, our HBITS contracts, our project-based contracts -- HBITS being our hourly-based IT services or project-based IT services. We have centralized contracts that agencies can use, ITS can use, our authorized users can use, which is anybody -- is in a municipality, and many not-for-profits. So those are our centralized contracts that we have.

The proposal that I have seen that will give another tool to ITS is to procure large technology system contracts. And it is my understanding that this bill is not intended to replace any OGS contracts. So our contracts are out there, they're

competitive, they're -- you know, we have transparency.

These are for larger contracts. And they still may -- ITS may still procure using the traditional state finance 163 process. So it's not intended to eliminate any of our contracts, because our contracts are used by more than just ITS.

ASSEMBLYMAN ZEBROWSKI: Okay. Yeah, I asked that question of the ITS director yesterday and asked for maybe some follow-up information from him related to this --

COMMISSIONER DESTITO: We certainly could also work with -- it was Jeremy Goldberg; correct?

ASSEMBLYMAN ZEBROWSKI: Yeah, I think so.

COMMISSIONER DESTITO: We work with Jeremy quite a bit, and --

ASSEMBLYMAN ZEBROWSKI: Okay.

COMMISSIONER DESTITO: -- and we will look -- we will look to provide you with any information that you would like. And we'd like to certainly show you what our contracts

look like, if there was any time you would like to see them.

ASSEMBLYMAN ZEBROWSKI: Sure. Great. Great.

Just in relation to that sort of further information, there's like a provision related to cost increases, and we were sort of wondering is that a common issue with technology contracts that we're seeing, so that we need to change the language in procurement that I believe there -- there's a -- in the language it provides a sort of cancellation procedure for cost increases and things like that.

COMMISSIONER DESTITO: That would be a new -- that's a new provision, and we'd have to look at it.

ASSEMBLYMAN ZEBROWSKI: Okay. I just have one more question, Madam Chair, so --

COMMISSIONER DESTITO: We do not have that provision in our contracts.

ASSEMBLYMAN ZEBROWSKI: Okay. There's other people, you can go to them, and then ...

(Discussion off the record.)

CHAIRWOMAN KRUEGER: Yes, we have Senator Borrello.

SENATOR BORRELLO: Thank you, Madam Chairman.

COMMISSIONER DESTITO: Hi, Senator.

SENATOR BORRELLO: How are you today?

COMMISSIONER DESTITO: Good, thank you.

SENATOR BORRELLO: Well, you know, we've had two and a half hours of the previous testimony, so we don't want you to feel left out that you weren't going to be here long enough, so I'll ask you one more question.

(Laughter.)

COMMISSIONER DESTITO: Okay.

SENATOR BORRELLO: I do actually have a serious question.

COMMISSIONER DESTITO: Yes.

SENATOR BORRELLO: I heard you mention that part of your project is going to be dredging 20 navigable waterways, is that correct?

COMMISSIONER DESTITO: Twenty navigable waterways on Lake Ontario, yes.

SENATOR BORRELLO: Lake Ontario.

COMMISSIONER DESTITO: Yes.

SENATOR BORRELLO: So, you know, the concerns with Lake Ontario, the same as Lake Erie, where I represent, you know, is access. You have beaches that have virtually disappeared because of the high water levels.

So how will the dredging impact that? I guess what I'm asking is, you know, dredging is something you typically do when you have low water levels, when you have an inability for, you know, boats to get in and out and so forth. But with the water levels being at hundred-year highs, how is this going to be impacted?

COMMISSIONER DESTITO: So I served on the REDI Commission with several of my colleagues, and my area was Oswego and Cayuga Counties. We worked with the local governments and the local businesspeople as well as the local individual homeowners. And this was something that was brought up from

the people themselves. They made this a high priority, that the areas along the waterway, along Lake Ontario, needed dredging. They feel that it contributed to much of the flooding.

So this was a high priority of theirs, and OGS is stepping in to oversee the project. But it was definitely -- it came from the local governments.

SENATOR BORRELLO: And I would agree with those folks, as someone who has a lot of experience with flooding. So --

COMMISSIONER DESTITO: Senator Helming was there a lot.

SENATOR BORRELLO: Yes, so we can certainly agree on that.

COMMISSIONER DESTITO: Yes.

SENATOR BORRELLO: You know, in the past the difficulties I have seen have been with coordination between DEC and Army Corps of Engineers, particularly when it comes to, you know, flooding. Because they don't agree with us that these areas that need dredging are the cause of flooding.

In fact, we had a major flood back in 2009 where I live, and they insisted that, you know, it was ice jam flooding. And this actually happened during August. And I'm not an engineer or a hydrologist, but I'm certain it wasn't caused by ice jam flooding in August.

So my concern is, are you going to be able to get the cooperation to actually get this done? Because DEC and Army Corps don't seem to be on the same page.

COMMISSIONER DESTITO: We are working very closely. My design and construction team is working very closely with DEC and the Army Corps of Engineers. The Army Corps of Engineers was at a meeting with my staff, and we have put this project together in concert with them.

SENATOR BORRELLO: Well, I wish you luck, because it is a lot of bureaucracy and --

COMMISSIONER DESTITO: Thank you. It's a lot of work and it's a lot of coordination, but we are doing it. Thank

you.

SENATOR BORRELLO: Thank you.

CHAIRWOMAN WEINSTEIN: We go back to Assemblyman Zebrowski for an additional five minutes.

ASSEMBLYMAN ZEBROWSKI: Thank you, Chair.

COMMISSIONER DESTITO: Thank you, Assemblyman.

ASSEMBLYMAN ZEBROWSKI: One last question, Commissioner.

COMMISSIONER DESTITO: Yes.

ASSEMBLYMAN ZEBROWSKI: The Buy American Act. So Part EEE would make this permanent. We were just wondering if we could get a sense of how you believe -- I think we're a few years into the original authorization -- how you believe the program has been going, do you have an estimate on the number of contracts that have been required.

COMMISSIONER DESTITO: So it doesn't affect us because it's for roads and bridges.

ASSEMBLYMAN ZEBROWSKI: Okay.

COMMISSIONER DESTITO: But I will tell you, Assemblyman, that we have in fact used Buy American, the Buy American process. And many of our projects where we could use it, we have used it. So it is working.

ASSEMBLYMAN ZEBROWSKI: Okay. Do you have any idea of how many contracts were required by the enabling authorization? I know that's a specific question, so if you don't have it, if we could talk later about it.

COMMISSIONER DESTITO: I'm going to tell you that I will get you that information based on my agency alone.

ASSEMBLYMAN ZEBROWSKI: Okay.

COMMISSIONER DESTITO: Okay?

ASSEMBLYMAN ZEBROWSKI: Thank you. That's it for me.

CHAIRWOMAN WEINSTEIN: We go to Senator Helming.

COMMISSIONER DESTITO: Senator, thank you.

SENATOR HELMING: Thank you. Thank you, Commissioner.

Commissioner, I was just wondering -- first of all, I want to thank you -- {mic problems}.

Commissioner, thank you for being here today. It's always great to see you. You're always filled with such enthusiasm and excitement, and really appreciate that. And all of your work with the REDI Commission -- it's great to see the work actually beginning, so thank you for that.

I was just wondering if you could briefly comment on how the Office of General Services engages with our veterans.

COMMISSIONER DESTITO: So it's the Service Disabled Veteran Owned Business. And we have five -- the -- vendors in the IT space, we have the SDVOBs in the IT space, and we also have certified 700 of the vendors since the program has been established in 2014. So we have one of the most robust service-disabled veteran-owned business programs in -- probably in the country.

And as I stated, we have one of the -- one of our major contracts, one of our major

vendors in this space, we just received one of the largest contracts in the history of the program. So we are taking it very seriously. And that's where OGS services veterans.

And in addition to -- we have memorials on our Empire State Plaza, we have a lot of different -- we have the museum in the Judiciary Building. But we -- most importantly, we do the SDVOB program.

SENATOR HELMING: Thank you.

COMMISSIONER DESTITO: You're welcome.

CHAIRWOMAN KRUEGER: Thank you. You might have noticed we are hoping to improve our microphone and speaker system for next year, so if you have any specialists on staff for that --

COMMISSIONER DESTITO: We do.

CHAIRWOMAN KRUEGER: You do.

COMMISSIONER DESTITO: We'll be glad to help you.

CHAIRWOMAN KRUEGER: Thank you. Thank you very much for being here with us today.

COMMISSIONER DESTITO: Thank you.

Thank you very much for having me. I appreciate it.

CHAIRWOMAN KRUEGER: Appreciate it.

CHAIRWOMAN WEINSTEIN: Thank you, Commissioner.

CHAIRWOMAN KRUEGER: Our next victim -- I'm sorry.

(Laughter.)

CHAIRWOMAN KRUEGER: Our next guest, New York State Council on the Arts, Mara Manus, executive director.

NYSCA EXEC. DIR. MANUS: Good afternoon.

CHAIRWOMAN KRUEGER: Good afternoon.

NYSCA EXEC. DIR. MANUS: Chairs Krueger and Weinstein and members of the committee, thank you for the invitation to address you today.

I am Mara Manus, the executive director of New York State Council on the Arts, also known as NYSCA. On behalf of our chair, Katherine Nicholls, and our council and staff, we deeply appreciate the Governor and Legislature's continued support and

recognition of NYSCA's role in our state's thriving arts sector.

According to data released in 2019 by the NEA and the BEA, New York State's arts sector generated $120 billion for the state's economy and employed over 460,000 workers.

NYSCA's core focus is grant-making to nonprofit organizations and artists. Our grantees range from small community-based organizations, like Pendragon Theater in Saranac Lake, to large institutions such as the Glimmerglass Music Festival in Cooperstown. NYSCA's support reaches all 62 counties.

For FY 2020, we awarded $41 million to 2500 organizations. NYSCA has the highest budget of all state arts agencies in the nation, and 98 percent of our budget comes from New York State.

Studies show that the arts teach discipline, focus, cooperation and creativity, traits that a majority of employers cite that they seek when hiring. This year NYSCA expanded our workforce

development support to over $4 million.

For the first time, NYSCA also offered our application on a new portal, the NYSCA-CFA, to improve the application process and broaden access.

I am pleased to share with you our new cross-sector partnerships that are demonstrating the critical role of the arts in our economy and in the health of people and places.

As we all know, the arts fuel tourism. In 2019 there were 150 million on-site visits to NYSCA grantees. For FY 2020 we created a new Arts Impact category to expand public art events that draw tens of thousands of visitors. An upcoming example is Albany Symphony Orchestra's Trailblaze Music Festival, which will offer free performances in May and June connecting the canals and the Empire State Trail. NYSCA is also working with Parks to ensure that the arts destinations will be represented on the new Empire State Trail website map.

In October we worked with I LOVE NY,

which is -- they've become a great partner with us. We also launched a joint arts event platform reaching 300,000 viewers with a single submission. And we are also partnering with Metro-North to create seasonal promotional materials for cultural events.

We're very excited to be continuing our partnership with the Department of Corrections. NYSCA is currently supporting creative programing in the Hudson and Adirondack youth facilities and in the Ulster County Correctional Facility Senior Living Program. This year programming will expand to OCFS residential sites.

In partnership with NYSOFA, we are just launching a 12-site creative aging initiative pilot in the North Country, Capital Region, and Long Island. The goals of creative aging are instructional, and the results are often therapeutic. Researchers have discovered that the aging brain is far more pliable than previously believed, and that structured learning, especially through

the arts, can improve cognitive functioning and reduce social isolation.

Thank you again for the opportunity to share the impact and reach of the arts in New York State, and NYSCA's role in supporting the transformative work of our grantees. Sixty years after NYSCA's founding, we know that arts and creativity play a central and catalytic role in every aspect of our lives, making New York State healthier, stronger, and creating a future of opportunity and growth.

I now welcome your questions.

CHAIRWOMAN KRUEGER: Thank you.

Senator Anna Kaplan.

SENATOR KAPLAN: Hello. Thank you for being here, and thank you for your testimony.

Can you give us a number, approximate, how many grant applications do you anticipate receiving in 2020? And furthermore, if you could tell us what percentage of these grant applications will be awarded. And third, if you can give us a little bit of breakdown of the regions that would be beneficiaries of

this.

NYSCA EXEC. DIR. MANUS: Sure.

So we average about 3,000 grants a year. We do fund the majority of the grants. That funding ranges by program, so we have 15 programs ranging from museums, arts education, theater, dance, et cetera, as well as we participate in the REDC initiative. So on any given year the amount that we fund does vary by the program.

The next question was --

SENATOR KAPLAN: In terms of the region, would they be based on the regional economic development, is that how you would narrow them down? Or --

NYSCA EXEC. DIR. MANUS: So all of our grants are made -- we roughly fund about half in New York City and about half across the state.

SENATOR KAPLAN: Thank you.

NYSCA EXEC. DIR. MANUS: We also fund -- our funding mechanism is -- should be in this way. We funded directly about 1100 organizations in the last fiscal year and

about 1300 through re-grant programs. So we have a lot of boots on the ground in local organizations that understand the local ecology even better than we do.

SENATOR KAPLAN: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: Excuse me, I have one question. Can grants be used for things like updating or establishing a website or IT, other kinds of IT purposes?

NYSCA EXEC. DIR. MANUS: So our grants are -- you can either apply for a general operating support grant or a project grant. And that covers -- the general operating support grant covers a wide variety of uses, yes.

CHAIRWOMAN WEINSTEIN: So a general operating grant could be used for developing a website and other kinds of IT programs.

NYSCA EXEC. DIR. MANUS: Yes. Yes. We also have a facilities program, and that does fund equipment, specific kinds of equipment that may fall under the IT rubric.

CHAIRWOMAN WEINSTEIN: Because the reason I ask is when a number of us met with some of the smaller Brooklyn arts groups, they were saying that this is some of their greatest needs, that they don't have expertise in these areas and they need support for these kind of -- just to get their technology and websites together.

So I'm glad to hear that there is availability of funds for those kind of purposes.

NYSCA EXEC. DIR. MANUS: There is. Also, we are going to be in Brooklyn next week. We go around the state to talk about our grant opportunities each year. And this year we actually have all programs on a webinar as well as our tour around the state, and actually I'm heading to Rochester tonight. So it would be Rochester, Troy, and in New York City we're really looking to reach new grantees, new applicants, and so we're -- last week we were in the Bronx, and next week we'll be in Brooklyn.

CHAIRWOMAN KRUEGER: Thank you.

I have a couple of questions, thanks.

So according to your testimony the arts generates $120 billion for the state's economy and employs almost 500,000 workers. So that's an NEA report that we can get access to?

NYSCA EXEC. DIR. MANUS: Yes. That's a Bureau of Economic Analysis -- I think it's a collaborative report with the NEA. But yes, we can also -- yes, it's publicly available.

CHAIRWOMAN KRUEGER: If you could just send a copy to each of our offices. Because I think that's very important information --

NYSCA EXEC. DIR. MANUS: Sure.

CHAIRWOMAN KRUEGER: -- in the context of the budget and economic development.

And then there's also a reference that the Governor cut $100,000 out of your budget. That was two grants, one to the Museum of the Bronx and one to the Museum of the City of New York. Is that not correct?

NYSCA EXEC. DIR. MANUS: That was a direct line -- I believe those were -- I have

to double-check, but I believe those were direct line items. I don't think that came out of our budget.

CHAIRWOMAN KRUEGER: Okay. So they just went -- they were member adds that went through your budget.

Is there any reason to believe those two organizations wouldn't have been eligible for this kind of funding?

NYSCA EXEC. DIR. MANUS: So it's the Bronx --

CHAIRWOMAN KRUEGER: The Bronx Museum and the Museum of the City of New York.

NYSCA EXEC. DIR. MANUS: So both of those organizations get ongoing funding from NYSCA.

CHAIRWOMAN KRUEGER: So this would have been supplemental money awarded through the Legislature that the Governor cut out.

NYSCA EXEC. DIR. MANUS: I believe so, yes.

CHAIRWOMAN KRUEGER: Not necessarily that you felt that they didn't meet the qualifications for your funding.

NYSCA EXEC. DIR. MANUS: Correct. It's very -- it's a little hard to hear the --

CHAIRWOMAN KRUEGER: Sorry. You didn't believe they don't meet the qualifications for your funding.

NYSCA EXEC. DIR. MANUS: No, they absolutely do. And I would imagine that both of those institutions have been getting NYSCA support for many years.

CHAIRWOMAN KRUEGER: Okay, thank you. Thank you very much for your -- oh, excuse me, one more Assemblymember.

CHAIRWOMAN WEINSTEIN: Assemblyman O'Donnell.

ASSEMBLYMAN O'DONNELL: Good afternoon.

NYSCA EXEC. DIR. MANUS: Good afternoon.

ASSEMBLYMAN O'DONNELL: I'm glad you're not testifying at midnight.

So as you know, I have for years advocated a dramatic increase in funding for the arts, both through capital programming

and through programmatic programming. And it's a shame to me that we've never really recovered from the cut to these programs from years ago.

So can I first ask you to talk about how to improve the process for applying for that, and what the impact of that is?

NYSCA EXEC. DIR. MANUS: Sure. That would be our regular grants, correct?

ASSEMBLYMAN O'DONNELL: Correct, yes.

NYSCA EXEC. DIR. MANUS: The regular application process.

So when I came aboard, it was very clear from the field as well as from our staff that the application process was a cumbersome one. It's to be noted that half of our grantees have budgets under half a million dollars, so they're working with very small staff sizes.

We have -- I'm very pleased to say that this last year we were able to offer our application on a new application portal called the NYSCA-CFA. We worked with a CFA team in Albany. And we saw this year, in

just one year, a reduction of application error by 15 percent. So we're pleased and -- we don't even believe, at this point, that everyone is -- that the field is completely up-to-date with the fact that we do have an application portal, but that's something we're underscoring in our webinars as well as our information sessions on the road.

ASSEMBLYMAN O'DONNELL: There is significant concern from some of the outside of New York City members that they don't get their fair share of arts funding. Can you explain how you make sure that that happens?

NYSCA EXEC. DIR. MANUS: Sure. I do want to also just add one more point. Well, I'll wrap into this.

So our largest -- as I mentioned, half of our grants are made to our re-grant partners, and the decentralization program is our large re-grant partner. It's about a $4 million program. It is administered through 27 arts councils and centers around the state. They are really, as I mentioned, our boots on the ground.

And they're responsible not just for administering a grant program -- which actually has a much more shorter application, very short application process -- but also ensuring the health of the local organization. So they work on capacity building.

And part of our criteria for selecting them is that they not only understand the local economy and ecologies, but they do have the ability to support the local and much smaller organizations.

ASSEMBLYMAN O'DONNELL: I'm going to try again this year to increase your funding significantly. I'm fighting really hard.

One year we put money, capital money into the budget and the Governor kind of stole it and sent it to EDC. And when EDC got it, it created a set of hurdles and rules about how much money you had to have and how much money you had to apply for. And most specifically, the EDC applications required that there be 50 percent matching.

So can you just describe the money

that we give to you for capital, what the thresholds or what the requirements are for entities to get that money?

NYSCA EXEC. DIR. MANUS: Sure. And, Assemblyman O'Donnell, do you want me to talk about both the 2018 as well as the 2019 allocations for capital?

ASSEMBLYMAN O'DONNELL: Okay.

NYSCA EXEC. DIR. MANUS: Okay. So I think the question you're asking is about the match.

So we did receive, in 2018 and '19, about $30 million of capital between those two years. The first one was through REDC, and the second one was split between NYSCA and REDC.

What we found through both of those years was that while we required a match for the majority of those grants, that didn't prove to be a hurdle, especially for smaller organizations. And I don't -- I can get back to you with the numbers, but we funded -- I know that for the midsize opportunity in 2019, I believe that we funded at least 2300

organizations that had budgets under a million dollars. The majority of the capital went to organizations with budgets under $5 million.

But I can get you any more detail if you require.

ASSEMBLYMAN O'DONNELL: No, I have that detail. I actually knew the answer to the question before I asked it, I just wanted to get the answer on the record.

I want to praise you for your fine work, and hopefully we can convince the second floor to increase your budget to do even better work than you already do, which will be kind of hard without money.

Thank you very much.

NYSCA EXEC. DIR. MANUS: Thank you for having me today.

CHAIRWOMAN KRUEGER: I'm going to just jump to Senator Funke.

Senator Funke.

SENATOR FUNKE: Thank you, Madam Chair.

Hi.

NYSCA EXEC. DIR. MANUS: Hi.

SENATOR FUNKE: Thanks for all your good work.

I wanted to bounce off of something that Assemblyman O'Donnell was talking about. As you said, arts fuel tourism. And, you know, the economy in the State of New York is -- it is what it is. New York City is doing a heck of a lot better than upstate New York. So tourism is particularly important to us.

And you said half of the funding that you get -- which is how much?

NYSCA EXEC. DIR. MANUS: Forty-one million dollars.

SENATOR FUNKE: Half of that goes to New York City, and the rest is spread around the state.

NYSCA EXEC. DIR. MANUS: Yeah, it varies by year.

SENATOR FUNKE: What's that?

NYSCA EXEC. DIR. MANUS: It varies by year.

SENATOR FUNKE: It varies by year.

NYSCA EXEC. DIR. MANUS: But within those parameters, yes.

SENATOR FUNKE: Can you tell me how Rochester fared in that, the Rochester area?

NYSCA EXEC. DIR. MANUS: I can get you those numbers. I don't have them at my fingertips.

SENATOR FUNKE: Okay. It's critically important to upstate New York. And matching grants in particular are critically important, which the Assemblyman alluded to.

So the more we can do to increase funding for you, the better off we are all going to be in that regard, because Rochester is a culturally rich area, as you well know.

So thanks very much for your hard work. But I'd like to know how Rochester fares, if you can get me those figures.

NYSCA EXEC. DIR. MANUS: Sure.

I will add right now that -- I think you're aware -- the George Eastman Museum got significant funding from the state and is undergoing what I think will be a transformative renovation. The collection,

both the photography and the film, is globally recognized, and the visitor experience is less than that. And this renovation focuses completely on the visitor experience.

And so I think it's going to be a very exciting time, and that's going to reopen this summer. So -- and I think it's going to be a great boon for Rochester.

SENATOR FUNKE: Thank you.

CHAIRWOMAN WEINSTEIN: Just one additional question.

I know Assemblyman O'Donnell was talking about trying to increase funding to where it's getting close to where it's been in the past. Do you offhand know what was the highest level of funding we had, compared to what the current year's budget proposes?

NYSCA EXEC. DIR. MANUS: I don't have those numbers at my fingertips. I know that for the last few years we have had a steady state budget.

CHAIRWOMAN WEINSTEIN: And if you had additional funds -- do you get more grant

applications than funding that you have available for those -- grant applications for groups that would otherwise be qualified under the criteria but you don't get a grant but for the fact that there's not sufficient funding?

NYSCA EXEC. DIR. MANUS: I'm sorry, I can't hear so well --

CHAIRWOMAN WEINSTEIN: Do you get more applications for funding for either operating or capital than you have resources to be able to fund those grants?

NYSCA EXEC. DIR. MANUS: Yes.

CHAIRWOMAN WEINSTEIN: Do you have a to say no to people who are -- to organizations that are otherwise eligible for funds?

NYSCA EXEC. DIR. MANUS: I think it's -- for the most part, we are able to fund most qualified applications. So that's a good thing. We do a lot with what we have. I think the question would be whether we could give more to the qualified applicants.

CHAIRWOMAN WEINSTEIN: Thank you.

Senate.

CHAIRWOMAN KRUEGER: Thank you very much for your time today. Appreciate it.

NYSCA EXEC. DIR. MANUS: Thank you so much. Thank you for you having me.

CHAIRWOMAN KRUEGER: Thank you. All right, we are now completing the government representatives. We will be moving to a panel, New York Association for the Education of Young Children and Hand in Hand: The Domestic Employers Network.

And non-government at this point is five minutes for each person or group. So if you have two people from a group, you're still splitting five minutes.

And we always highlight that because we sit here and watch somebody take 41/2 minutes and leave their neighbor and friend with 30 seconds. And we always feel bad for the second person.

Hi. And you are?

MS. BERGER: Hi. I'm Ilana Berger with Hand in Hand.

CHAIRWOMAN KRUEGER: Great.

MS. BERGER: And I'm alone, so I don't get to steal my coworker's time.

(Laughter.)

CHAIRWOMAN KRUEGER: Well, they didn't show, so too bad on them.

MS. BERGER: And I'm sorry she's not here.

CHAIRWOMAN KRUEGER: And just double-checking, the New York Association for the Education of Young Children is not here? Okay.

So hello, you get the whole five minutes for yourself.

MS. BERGER: All right. Hi. Thank you so much for the opportunity to testify. My name is Ilana Berger. I'm the New York director of Hand in Hand --

CHAIRWOMAN KRUEGER: Can you speak into the mic a little more?

MS. BERGER: Yeah. Is that better? Yeah? Okay, great.

Ilana Berger, New York director of hand in Hand: The Domestic Employers Network. We're a sister organization to the

National Domestic Workers Alliance. We work with people who employ nannies, house cleaners, and home-care workers.

Here in New York specifically, we're working with seniors and people with disabilities across the state who employ home-care workers, working for rights for employers and workers. And we are a co-convener of the New York Caring Majority, which is a campaign made up of all of the statewide organizations representing seniors, people with disabilities, family caregivers, and direct care workers, working for affordability for long-term-care services and supports and dealing with the home-care workforce crisis -- shortage.

So I'm going to start by just talking about some demographics. There's a lot of numbers in the testimony that I submitted, so I'm going to try to stick to the sexiest, most exciting numbers for you in my testimony, essentially just to say that as most of you probably know, we are in a huge aging boom in our state. Many people call it

the "silver tsunami." Our population is aging rapidly, and people are living longer.

So according to the Cornell Program on Applied Demographics, between 2015 and 2040, our overall state population will grow about 1.3 percent, but the number of adults who are 65 and over will increase by 50 percent, and the number of adults over 85 will double. At the same time the number of working-age adults for every adult over 85 will drop from 28 to 14. So that's a lot less people to care for our aging loved ones.

So people are also living longer, and most choose to live and age in dignity in their own homes and communities. It's a great opportunity for us to live in vibrant intergenerational communities. It's also cheaper than institutionalization.

While we think we might be able to age gracefully and independently, the reality is 70 percent of people over 65 will need home care at some point in their lives. Despite, though, the growing need for home care, there is already a workforce shortage in the state,

particularly in upstate parts of New York.

So according to PHI, between 2016 and 2026, if you count demographics and the high turnover in home care, we're going to have 750,000 job openings in home care in New York State -- 750,000.

Despite the importance of this work, the average median wage for home-care workers in New York is $19,000 a year. And if you combine that with no benefits, real challenges in transportation, particularly upstate, uneven and erratic scheduling and a lack of benefits, it is very hard to recruit the workers we need to fill this workforce.

Despite this, and because of this, home care and consumer-directed personal assistance are driving local economies across New York and creating jobs in every corner of the state. You want to talk about economic development and jobs? Look at home care. Employment in the healthcare sector is expected to grow faster than employment in any other sector in New York between 2016 and 2026, with home healthcare being the highest

level of job growth.

Even the Governor, who is going after consumer-directed personal assistance and Medicaid-funded home care, had to admit in his budget address, when he quoted a Daily News editorial, that the Medicaid-funded personal care industry added 36,000 new jobs in the first nine months of 2019, making up 75 percent of citywide private-sector job growth over this period.

So he used it to denigrate the sector, but I just want to say I urge you to see the growth in the home-care sector as a possible development for our state. It has the potential to lift community members out of poverty while creating a care infrastructure that allows all New Yorkers to stay in the state for the duration of their lives.

At Hand in Hand, we believe if we're talking about economic development and the model here about investing in private companies to create new jobs, let's actually look at investing and making the jobs that are growing the fastest in this state quality

jobs.

One, we believe that's actually going to save the state money by better health outcomes and low-wage workers having more money to spend in their local economies.

Two, it's a huge contributor to racial equity. The home-care workforce is majority women of color, and if we can lift the wages up and the floor for women of color workers in this state, we are benefiting all of our communities.

And third, I just want to say New York is the only state in the country to be given an "Age Friendly" designation by the World Health Organization and AARP. If we really want to live up to that and invest in a robust care infrastructure, we're going to be creating a competitive advantage where young families can come to this state to work, knowing they will not have to interrupt their careers to care for aging parents.

So we have three recommendations in this year's budget. One is to put aside $15 million -- $5 million a year for three

years -- for the Home Care Jobs Innovation Fund that will allow us to invest in pilot projects around the state to create innovative solutions to the workforce shortage.

We also ask for REDC money to be set aside specifically for home-care investments and that the Workforce Development Initiative set aside $50 million of its $175 million to invest in the home-care workforce.

Thank you for taking the time to listen.

CHAIRWOMAN KRUEGER: Thank you.

Any Senators have questions?

I just want to thank you for your testimony. I think you bring up an important point that the service jobs for healthcare and home care and other categories are real jobs with real economics behind them. And I don't think we talk about those kinds of jobs as economic development activity. So appreciate your testimony.

MS. BERGER: Thank you. Obviously they do create a better economic climate,

care jobs with childcare and home care. If we're able to create a place where people can stay in the state for the duration of their lives, it's contributing to our economy. So thank you.

CHAIRWOMAN KRUEGER: Thank you very much.

Next, New York State Economic Development Council, Ryan Silva, executive director.

I know the protestors are outside, but they really still want to be at the next hearing, so they might want to get lunch.

(Laughter.)

MR. SILVA: Thank you, Senator.

I appreciate the opportunity to be here and speak today. I will make sure that I keep my time within the five-minute time frame --

CHAIRWOMAN WEINSTEIN: We have a panel, though, right, with --

CHAIRWOMAN KRUEGER: No, that's afterwards.

CHAIRWOMAN WEINSTEIN: I think Brian

Sampson.

CHAIRWOMAN KRUEGER: Oh, I'm so sorry. We did combine someone with you, with your agreement. Brian Sampson, Associated Builders and Contractors.

MR. SILVA: Brian did tell me I could still have my five minutes, though.

(Laughter.)

MR. SILVA: No, I'm just kidding.

CHAIRWOMAN KRUEGER: No, no, you each get your five minutes.

MR. SILVA: I appreciate it. Thank you, Senator.

CHAIRWOMAN KRUEGER: And I'm sorry, I forgot that --

MR. SILVA: Yeah, no problem.

CHAIRWOMAN KRUEGER: -- we had circled and arrowed. Okay.

MR. SILVA: I may begin?

CHAIRWOMAN KRUEGER: Yes.

MR. SILVA: Thank you so much, Senator.

And I appreciate the opportunity to be here on behalf of the New York State Economic

Development Council. We're a private membership organization representing a thousand organizations across New York State. We focus on advocacy, education and policy development.

Many of the things that we prioritize have already been really discussed here today, so I won't dive into a lot of the specific details that have already been talked about. However, we do remain concerned about upstate lagging behind downstate when it comes to job growth as well as population increases and deadlines.

It is exciting to see cities like Buffalo, Rochester, Syracuse, Utica seeing investment in downtown, starting to see millennials move back into those communities. We want to see that continue. But we do remain very concerned that other parts of upstate are seeing a rapid decline in population, which only further erodes our tax base and our influence in Washington, D.C.

Much of that is exacerbated really by the fact that New York State gets back less

than any other state does from the federal tax dollars we send there. According to a Rockefeller Institute for Government study and the OSC, $116 billion was sent to the federal government over the last four years that New York State taxpayers did not get back.

In essence, this means that New York State subsidizes other states that, in turn, boast better economic and business climates than we have because they can keep their tax bases low. In turn, we're also now relying on higher state and local taxes to offset that deficit and make sure that we're keeping the commitments we at the local and state level have made.

The long term of this trend is just going to be disastrous and catastrophic for the state's economy, and we need to be mindful of any additional burden, both regulatory and financial, that is placed on our economy.

Therefore, we do continue to remain opposed to any expansion of prevailing wage

mandates to privately funded and supported projects in New York State. We will be sharing more detailed information. We're in the process of conducting a study to just show the economic impacts that exist by expanding this mandate. However, we've seen what happens when this is applied at the local level with projects just ceasing to happen. It happened in the City of Yonkers and it happened in Ulster County when prevailing wage mandates were applied to those communities.

However, we also do believe that economic development means more than just how many jobs you create per tax dollar spent, and it's more than just tax revenue. It's growing a successful economy, and it means investing in people, it means investing in place making, and it means investing in progress.

We have a relatively low unemployment rate, but we need to invest in communities to help improve quality of life. This requires public, private, academic, and nonprofit

organizations working and investing together.

Investing in training our workforce is essential for the jobs of tomorrow. I know there's going to be a whole panel discussion on that. We at the EDC firmly believe that the state should continue to invest in workforce, invest in skills, and invest in training. And in fact, many of our members would like to help be a part of that.

Investing in infrastructure and transportation is also vital to building sustaining, livable communities. In the absence of a long-awaited federal infrastructure bill, we need to lead by investing in water, sewers, roads, bridges, high-speed fiber and rail.

So with that, these are some of the things included in the Governor's budget proposal that we would continue to support: Funding of the REDCs, the Downtown Revitalization Initiative, the $3 billion "Restore Mother Nature" Bond Act, $100 million in Green Bank financing. We do like the Upstate Airport Economic Development

and Revitalization competition for the airports, and also the expansion of the $175 million Workforce Initiative.

We also do support the Governor's small business tax cut, and we would encourage the Legislature to look at ways to expand on it and support it.

Additionally, there are several policy proposals that we believe are important to success across the state. Those include a statutory change allowing IDAs funds to be invested in local economies, like workforce training, land banks, and small businesses. A shovel-ready funding to create shovel-ready sites to attract large-scale economic development. We support a video game tax credit, which is a growing industry here in New York.

We support continued funding for the Centers for Advanced Technology and the Centers of Excellence. We support the RESTORE NY program, which is a very popular program for a number of years. And one other area we really see an opportunity is

investing in cybersecurity and homeland security technologies, which would include a state-sponsored technology test bed and a virtual apprenticeship program.

Thank you very much for the opportunity to provide some testimony, and I would welcome your questions.

CHAIRWOMAN KRUEGER: Thank you.

Hi.

MR. SAMPSON: Hi. Good afternoon. Appreciate the opportunity to be here today.

My name is Brian Sampson. I'm president of Associated Builders and Contractors of New York State. We represent over 400 construction companies from Buffalo out to the eastern tip of Long Island. Our primary objective is to help --

CHAIRWOMAN KRUEGER: Pull the microphone a little closer.

MR. SAMPSON: I can. Is that better? Okay.

So our primary objective is to help our members compete and win work in the State of New York. And they wish to do that on the

merit of the bid, not based on any undue influence or, if you will, a finger on the scale one way or the other.

We're here to testify because we have some significant concerns about the expansion of prevailing wage to private work. It was an issue that's been debated hotly over the last few years, last year in particular. And as it relates to prevailing wage, one of the concerns that we have right now is the State of New York does not enforce its own prevailing wage laws as they exist on the books right now.

New York State says in order to negotiate prevailing wage, you have to represent 30 percent of the workforce. But by all measurable standards, organized labor does not represent 30 percent of the construction industry overall. They do represent -- in certain trades, in certain regions, they do have that 30 percent, are entitled to negotiate that prevailing wage. But by the vast majority of the State of New York, they do not.

So before we expand prevailing wage, I think one thing we would like the state to do is actually enforce the law that's already on the books and how it calculates and determines what prevailing wage is.

We also are a big fan of the 421-a program in New York City. We believe it has done a great deal of good for the boroughs in helping development and helping affordable housing there. That is a local decision that's based on local leadership.

The same programs exist throughout the state. They're not 421-a, but they are PILOT programs, payment in lieu of taxes. They are local decisions that are to be determined by people that represent the local community.

So our question is if 421-a is going to be excluded from the expansion of prevailing wage to private work, why would you also not include PILOT programs as well? They do the same thing, they allow for local decision-making. If New York City will be allowed and should be allowed to determine its economic future, so too should upstate

and Long Island.

The other thing -- a couple of other things that we would like to talk about is, you know, expanding prevailing wage to private work. I think there's a misunderstanding of the collateral damage that may exist.

When you look at the construction for -- the construction workforce project, they take turnstile data from large construction projects down in New York City. And what it shows is that more than 90 percent of the people that are working on those private jobs in New York City -- and 80 percent of the private work in New York City right now is being done in an open shop environment -- 90 percent of that workforce is minority, and over 95 percent of it comes from the five boroughs.

That's the people that will be impacted under this -- they'll be the collateral damage that exists in this program should this go.

The other part of it is that the

contractors that choose to do that work, they are some of the fastest growing and safest contractors in the State of New York. We do a survey of our members, and we collect their OSHA information and their OSHA data, and what it shows is as it relates to total reportable incident rates, they are 460 percent safer than the construction industry at large. And as it relates to days away from work, they're over 500 percent safer.

So the very people that are employing the vast majority of the minority workers in the State of New York are the safest contractors. And expanding prevailing wage to that private work will impact them and their workforce.

Our final point is this. The Governor's proposal asks to create a wage subsidy board. There's nothing that could be a worse idea as it relates to the construction industry. Construction, much like every other industry in the State of New York, wants predictability. It wants the

elected body -- you -- to be the determining factor of what is considered construction work and what those thresholds should be.

It should not be an independent, unelected 11-person panel that's going to determine which projects get captured, which projects don't, what those thresholds will be in the future, what they may not be. We would like the legislative body to continue to be the elected body that makes those decisions.

And with that, we are concerned about that expansion of the prevailing wage, we're opposed to it, and would welcome any questions you may have.

CHAIRWOMAN KRUEGER: Thank you.

Senator Kaplan.

SENATOR KAPLAN: I'm good. Thank you.

CHAIRWOMAN KRUEGER: Okay. Any other Senators? Senator Borrello. Sorry, then Assembly, then I'll come back to the Senator.

SENATOR BORRELLO: My turn? Okay, thank you. Thank you, Madam Chairman.

And thank you both for being here.

MR. SAMPSON: Thank you, Senator.

SENATOR BORRELLO: I do have a question. And again, I'm privileged to serve on the Western New York REDC board -- as a county executive, and I continue now as a Senator. So -- and I do believe that the work that is done is valuable.

My concern is, though, with the prevailing wage. I go back to a study that I read by the Center for Government Research that said that the prevailing wage can add 20 percent or more to the cost of a project. So if you're talking about this 30 percent threshold that's already tenuous to begin with, that essentially we're giving the state incentives almost entirely to cover the cost of prevailing wage that it adds to a project. That's number one.

But more importantly is that you have this subsidy board -- an earlier question was asked of the 11 members that are all appointed by the Governor, who is on the board, and only seven of the 11 could actually be identified.

But more importantly, that board could change that 30 percent threshold. Which I think is troublesome, because that's going to create an issue where now we're going to jeopardize projects based on the fact that this board, unelected, and in some cases unknown members, are going to decide whether or not these projects are going to qualify for these subsidies that are critical to overcoming and leveling the playing field when it comes to economic development in New York State.

So my question is, how do you control that and not basically throw the baby out with the bathwater?

MR. SAMPSON: So it's a great question, Senator. We appreciate it.

The board as constructed in the Governor's bill we don't think should exist. It's not right -- we need predictability. Banks need it, insurance agents need it, bonding agents need it, contractors need it, employers need it. They need that predictability.

If you don't have that, what you will do is you will suppress economic development in the State of New York because of unpredictability.

If something is going to get done, and if there's a group that's going to determine it, it should be an independent body, much like the legislature, that makes those determinations. Without predictability, you're not going to see economic development in upstate New York and Long Island.

SENATOR BORRELLO: Yeah, and I agree. As a business owner myself, we're willing to take risks, but we're not willing to take unpredictable risks. And that's what happens in New York State with this situation, correct?

MR. SAMPSON: Absolutely correct.

MR. SILVA: I would just add that the 20 percent number from the CGR study was based on Western New York. When you actually take a broader step back, it varies from region to region.

I mean, we've talked about how there's

10 different regional economies for the last decade. New York City is different than Long Island, different than the North Country, different than Western New York. Other parts of the state, that cost increase is upwards of 40 percent. So increasing costs by 40 percent will more than likely cause a lot of projects just not to happen --

SENATOR BORRELLO: So 20 percent is low --

MR. SILVA: -- for some regions.

I believe you are correct, in Western New York it's 20 percent, based on that study.

SENATOR BORRELLO: Well, thank you for that. The challenges continue with trying to level the playing field in New York State. Thank you.

MR. SAMPSON: Thank you, Senator.

CHAIRWOMAN KRUEGER: Thank you.

Assembly? Anyone? Assemblywoman Hyndman.

ASSEMBLYWOMAN HYNDMAN: Thank you, Senator.

Mr. Sampson, thank you. You said two things. You said that your membership -- how many members do you have in your --

MR. SAMPSON: We represent over 400 members across the state.

ASSEMBLYWOMAN HYNDMAN: Four hundred members. And you said most of your members have employees that come from the five boroughs. Do you have numbers that show that?

MR. SAMPSON: So there's a -- there's graphs in our testimony from the Construction Workforce Project that demonstrates and shows the demographics of the people on those worksites.

ASSEMBLYWOMAN HYNDMAN: So this is all -- your members represent nonunion labor?

MR. SAMPSON: So predominantly nonunion labor, yes.

ASSEMBLYWOMAN HYNDMAN: Okay. All right. And you don't know how long they remain on these job sites? Like this number is from how many years?

MR. SAMPSON: So this is a current

snapshot of about 134 projects.

ASSEMBLYWOMAN HYNDMAN: One hundred thirty-four projects going on right now in New York City.

MR. SAMPSON: Correct.

ASSEMBLYWOMAN HYNDMAN: Your members employ thousands of MWBEs, you said, or companies?

MR. SAMPSON: So -- so if you look at those graphs, what they'll show is that over 90 percent of the workforce is either black or Hispanic on those 134 projects.

ASSEMBLYWOMAN HYNDMAN: So you break this down by women and then you break it down also by black or Latino and Asian.

MR. SAMPSON: Yes. The turnstiles that they utilize -- so when you go onto the construction site, you have to use your finger to get onto the construction site and it tracks that information.

ASSEMBLYWOMAN HYNDMAN: Oh, you do? Okay. All right, thank you.

CHAIRWOMAN KRUEGER: Okay, thank you.

Senator Diane Savino.

SENATOR SAVINO: Thank you, Senator Krueger.

So I'm going to follow up on my colleague in the Assembly's question line. So let's go back. The prevailing wage law, as you know, dates back to 1934. It was adopted at one of the rare constitutional conventions that we've ever had in this state, and in fact it was overwhelmingly voted on by the people because there was a belief that government money going to private employers should have some requirements on it, one of them being the prevailing wage, so that we are not driving down people into poverty.

But you made a couple of points. You said that your members are largely minority contractors who represent minority construction workers. Insinuating that the union contractors and/or those who are under the prevailing wage somehow don't have any minority workers.

I would suggest that you take a look at today's building trades. They are

overwhelmingly minority. Now they reflect the -- in many respects, the immigrant workforce.

But even if I accepted your assertion that in fact they are minority contractors with minority workers, are you suggesting that minority workers in these minority contractors should earn less than their white counterparts in the unionized trades?

MR. SAMPSON: Absolutely not.

SENATOR SAVINO: Because that's what you would be doing by rejecting the prevailing wage.

MR. SAMPSON: Let me clarify. Our 400 contractors, what we're talking about is when we look at their workforce and that turnstile data, that's what the data tells us, that they are employing -- more than 90 percent of the workforce is black and Hispanic in New York City.

SENATOR SAVINO: And they should earn more money.

MR. SAMPSON: And I don't think anybody is disagreeing with that. The

question that has to be answered is what will the impact of expanding prevailing wage have on private work.

We believe, based on examples in Yonkers, in Ulster, in other parts of the country, when you expand prevailing wage to private work, you stifle that opportunity to create that growth. If you're going to ask me to pay 20 to 30 to 40 percent more, right, to get my incentive, I'm simply not going to do it. Again --

SENATOR SAVINO: With all due respect, Mr. Sampson, you don't have to apply for the incentives. If it's so burdensome or the cost is too high, which is going to eat into your profit -- and I get that. I understand that. Nobody wants to pay for things that they don't have to pay.

But it's public money. We're not talking about in everything. You have the right to decide whether or not you want to negotiate with the building trades or not. That's perfectly within your rights. But if you're going to use our money, we have --

there's a public interest, an interest on the part of the state, to see to it that money does not go into salaries that are below the prevailing rate. It's very simple.

So we're saying if it's burdensome, don't apply for the incentives. But if you're going to apply for the incentives, you should be held to the same standard that the voters in 1934 said, overwhelmingly, when they adopted the prevailing wage law.

MR. SAMPSON: And we wouldn't disagree with you. What we would say, though, is we have to put so many incentives on the market to incentivize job growth and job retention because New York State is incredibly expensive.

I think the other thing we would say is if prevailing wage was adopted -- and it was, through a convention -- then let's have the state actually follow the law that it adopted and say if you represent 30 percent of the market, you can negotiate the prevailing wage. But if you don't, you shouldn't.

SENATOR SAVINO: That's fair. Obviously the prevailing wage law has been watered down over the years through a series of regulations and judicial decisions, and that's what the definition of prevailing rate is trying to correct, so that we can go back to the restoration of what the original intent of the law was.

Thank you.

MR. SAMPSON: Sure. Thank you.

SENATOR SAVINO: Other than that, fine testimony. I loved it all.

(Laughter.)

MR. SAMPSON: Thank you.

CHAIRWOMAN KRUEGER: All right. I think there were not other Assembly, but -- Senator Helming.

SENATOR HELMING: Thank you, Senator Krueger.

(Mic off.)

SENATOR HELMING: Stop the clock.

(Laughter.)

SENATOR HELMING: Testing, one, two, three.

Ryan, Brian, thank you both for being here and for your testimony today. I really appreciate it.

MR. SAMPSON: Thank you.

SENATOR HELMING: Brian, you touched on how there are so many pieces -- everything from infrastructure needs to workforce development -- that impact economic development in our state. So I was glad to hear your comments; I think they mimicked what I opened up with earlier this morning.

But Brian, I wanted to touch a little bit about -- are you aware of the Governor's proposed cuts to the BOCES reimbursements? For me, BOCES programs do a wonderful job. They construct, if you will, this pipeline of workforce-ready folks in the construction trades, in all of our trades areas. So the Governor has proposed a cut of just over $1 billion. Do you have any thoughts on this?

MR. SAMPSON: So we're very supportive of the BOCES program. We deliver curriculum here, an NCCR curriculum, State Ed, DOL, DOB

approved. And we probably administer that for about 40 BOCES across the state. So any cut to the BOCES is going to have a dramatic impact on the construction industry. I think by and large both union and nonunion contractors are getting a good majority of their employees out of the BOCES.

SENATOR HELMING: Thank you.

MR. SILVA: I would just add that based on my own personal experience working with the Capital Region BOCES and the Questar BOCES here, they do phenomenal work. We should be supporting our BOCES programs as much as humanly possible.

In fact, a partnership over 15 years ago between those two led to the Tech Valley High School which was created in the Capital Region, which was one of the first skills-based learning institutions that really is working on those next generation of skills. That's really a tremendous model that we think could be replicated and variations of it are being replicated in Monroe County, down in New York City with

Per Scholas, and out in the Buffalo area with Northland.

So we think any time that you're investing in trades and skills is a good thing and should continue.

SENATOR HELMING: Thank you.

CHAIRWOMAN WEINSTEIN: Thank you. That's all the questions we have.

MR. SAMPSON: Thank you very much.

CHAIRWOMAN WEINSTEIN: So the next panel is The Business Council of New York State, Ken Pokalsky, and The Business Council of Westchester, John Ravitz.

And as they come to the table, the next few witnesses after this will be the New York Association of Training and Employment Professionals, followed by New York Cannabis Growers and Processors Association.

Feel free to begin, gentlemen.

CHAIRWOMAN KRUEGER: Good afternoon.

MR. RAVITZ: Good afternoon. And just to be clear, do we get two and a half minutes each or five?

CHAIRWOMAN KRUEGER: Five.

MR. RAVITZ: Great. So I'll try not to talk too fast.

Senator Krueger, Assemblywoman Weinstein, members of the State Legislature, thank you for giving me the opportunity to participate in today's hearing. My name is John Ravitz. I'm the executive vice president and chief operating officer for The Business Council of Westchester. We're the county's only business membership organization focusing on economic development and advocacy on behalf of the business community. We have over a thousand members ranging from the multi-international companies that call Westchester home to all the hospitals and universities, the biotech pioneers that are leading the charge around the world in their field, to professional service firms, midsized and small businesses.

And we have 138 non-for-profits as members. And our role for non-for-profits is to remind folks that non-for-profits are economic engines. They create jobs, they

bring in revenue as well as delivering the essential services.

I want to touch on two points, one you've already heard about today. But since I'm here in front of you, one of our main goals in our legislative agenda that we put out each year -- and each of you will be getting a copy of that next week -- is the issue of accelerating the full gaming license for Empire City Casino in Yonkers, New York.

Empire City Casino is a proven winner. It already employs 1,200 folks on a daily basis. It continues to bring in money for the City of Yonkers, the county, as well as the state in terms of education dollars.

The potential that we see at Yonkers Empire City with a full gaming license is going to be an incubator for workforce development for decades and decades to come. The new jobs that would be created, the new opportunities that would be created in different areas -- not just gaming, but in hospitality and in security and in IT -- is mind-boggling.

So as you continue to negotiate the budget, we hope that you will look at that as well, as something that is really imperative that gets done this year and that will bring in revenue to New York State, which we know we all need.

Prevailing wage. We have been engaged in this issue for many years. We have raised our concerns, you'll see it in my testimony. There are just a few things I would like to put on the table today.

We're representing a coalition of developers in Westchester County that really have brought a renaissance to some of our urban areas. The exciting projects that are now happening in Mount Vernon, in New Rochelle, in Yonkers, in Peekskill -- those are all projects that, again, are going to have positive ramifications for decades and decades. It's going to bring in new revenue, it's going to create new jobs, it's going to bring in a sense of real community economic development that we haven't seen before.

And so we're asking you to be very, very conscious of some of the concerns that you've heard today and will hear later on about what the negative impact could be for prevailing wage. We can't afford to turn down developers who want to invest in these communities by telling them that their jobs and their projects could be a 30 to 50 percent increase in cost. It just won't work. It's just not realistic. They will not do what we want them to do.

And then who suffers at the end? The construction jobs that could be created, the other related businesses in those communities that would definitely benefit from these new developments, and the county and the state as a whole.

Three points I'll raise, and then I'll end.

Our developers have a very good working relationship with our local unions. They meet with them on a regular basis. They've made it a priority to have a strong line of communications and offer for them to

bid on those projects that are happening in Westchester County. And secondly, they have come up with some ideas that hopefully can continue to be discussed, like a training program that would be sustained through the local IDAs so that future trade -- folks getting into those trades would have all the updated skills and training that they need to be able to participate in the many projects that are happening.

Second, as has already been raised today, there was a model that we can look at about how this cannot work, it sometimes can't work. And that happened in the City of Yonkers when the city imposed on their IDA a prevailing wage. There were no projects that went through the IDA during that course of action.

And finally, we are developing a white paper, an independent assessment, working with some of our partners around the state, that hopefully will give some clear indicators of prevailing wage and the impact it will have in communities throughout the

state. We're not just going to be focusing on Westchester County in this paper, we're working with our upstate partners and our downstate partners so that you in the Legislature over the next few weeks will be able to see some hard numbers. And numbers don't lie in this area.

And so, again, we will make sure that you have this in time as you're deliberating this for the next couple of weeks as you move forward on this.

So again, enhancing full gaming licenses for Empire City in Yonkers, giving the ability for this organization to grow and create jobs and bring in revenue for the education system as well as for the rest of the county and the state, and being concerned about the impact that prevailing wage would have.

Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

MR. POKALSKY: Good afternoon. My name is Ken Pokalsky. I'm vice president of The Business Council of New York State.

We're a statewide employer association representing about 2400 private-sector employers across the state in all sectors. We're very diverse. And by our last count, our members employ somewhere in the neighborhood of 1 million New Yorkers.

So we have a lot of issues of interest to us in the budget. This being the Economic Development hearing, one of the things we'd like to do today is focus not just or not exclusively on economic development programs, but on economic climate and how many issues in the budget affect that climate negatively.

In our testimony we provide some data that illustrates what's been alluded to several times today. New York State overall, compared to the nation, is doing very well growing out of the 2008 recession. But New York State is made up of different regional economies. New York City has grown private-sector jobs about 24 percent compared to pre-recession levels; upstate, overall, is about 3 percent. And there's pockets of upstate New York, labor regions in upstate

New York that have fewer jobs today than in 2008.

I do a lot of traveling, we have chamber members and business members across New York. I was just in Buffalo and Utica, I'm down in Livingston County tomorrow. And what I hear from members is, one, while they're fairly optimistic about the state of the overall U.S. economy, they're increasingly less optimistic about the economic conditions of New York State in their region, and also their future prospects.

And more often than not, they're talking about what I'll call state-imposed headwinds -- requirements, mandates that, regardless of the good intentions of the sponsors, add to the cost of doing business, making it difficult or more challenging to maintain a workforce and a business in New York State.

So those are the types of factors we think this -- these committees -- and we talk to Empire State Development about this as

well, that when we talk about economic development, it's not just programs, it's the overall business climate.

You've heard about prevailing wage from a number of commentators already today, so I'll skip that. It's obviously a major concern to us. But it's not just an economic development concern. We think the way that prevailing wages are calculated and applied in the state should be of broad interest, because these apply to all public works projects in a state that's really desperate for increased spending on infrastructure. This is a major factor in our ability to meet, you know, broad-based public needs.

Some other things in the budget, though, that apply to economic climate in the state: Paid mandatory sick leave, unpaid for the smallest of businesses and paid for larger.

You heard earlier, in earlier questioning, about the concern that small businesses get bypassed by state economic development incentive programs, but this is

the type of thing that every employer in the state is going to have to deal with. And I think if you look at small businesses in your community, between changes over the last several years on paid family leave and harassment, whose requirements changed before even the first year's implementation was done, potential for new and perhaps complex administrative requirements of paid sick leave -- if the small businesses in your community are even aware of some of these changes, I know a lot of them aren't, they're really frustrated in trying to keep up. They typically don't have a full-time HR function on staff, so.

And we don't concede that the state will adopt mandatory sick leave, but if there is a consideration, our advice is make it very direct in scope, simple in administration. I think this could be done in one paragraph, compared to about a 20-page worth of regulatory guidance issued under the New York City law.

One other thing I want to talk

about -- again, broad-based business climate impacts -- we applaud the inclusion of the small business tax reform package in the Governor's Executive Budget. As drafted, it's fairly limited on the personal income tax side, which most small businesses pay. They're pass-through entities, they're not incorporated.

It's limited to sole proprietors only, and the proportional change, the proportional reduction on the PIT side for small businesses is actually about a third of what's in this budget bill if you're a small business C-corp. We think that should be looked at.

In fact, in the fiscal 2017 Executive Budget, the Executive Budget proposed and actually both the Senate and the Assembly one-house budget resolutions that passed each house had a version of that 2017 far broader small business tax cut in it. We think that would be a good guide to a broader, more useful tax reform for small business.

Beyond that, there's any number of

issues in the budget that impact the state business climate. To the good, there's increased funding for early college high schools. To the bad, significant increases in regulatory authority by DFS and the Public Service Commission. And one of the biggest issues out there, the potential for significant increased assessments on private-sector businesses who offer group health plans to their employees.

So, again, broad-based business climate's a real concern to us. We appreciate any questions or comments you have on our testimony. Thanks.

CHAIRWOMAN KRUEGER: Thank you.

We've been joined by Senator Shelley Mayer. This is her first time today.

Senator Hoylman, it might be his first time today.

SENATOR HOYLMAN: No.

CHAIRWOMAN KRUEGER: No? Never mind, he came back.

And Senator Hoylman will be first to ask questions.

SENATOR HOYLMAN: Thank you.

Just a question for Mr. Pokalsky from The Business Council. I wanted just to -- in your testimony you oppose -- well, it's hard to see what you don't oppose. But you do oppose expanded DFS authority, the Freshwater Wetlands Program as it's currently written, the "pink tax" that would prohibit differential sale prices for consumer products for women. The ban on polystyrene containers and packaging. Sexual harassment reporting by state contractors. The Governor's legislative language on making certain that the internet is free to and fair to use users. Contributions by foreign-controlled corporations. And any restrictions on robocalls.

What do you support?

MR. POKALSKY: Well, first of all, we think we have a pretty effective wetlands program today. Those are the headlines, if you will. If you look at the substance of our testimony, we say we understand and we've supported amendments and improvements to the

state's wetlands program.

One of the key features, though, in the issue of certainty to both the regulated community and the public, and actually public employees who are implementing state laws, what the language in the Executive Budget does -- today, we map wetlands in the state for a purpose. It demonstrates, it determines what are regulated wetlands. And in a --

SENATOR HOYLMAN: How is -- how is the protection --

MR. POKALSKY: Above and beyond that -- above and beyond that --

SENATOR HOYLMAN: How is the protection of wetlands a general business concern?

MR. POKALSKY: Oh, it comes up in development projects all the time. And it can be a major impediment or delay to investment projects.

But the point is we have a program, both DEC and the Army Corps of Engineers regulates wetlands. We have a robust

program. But the way it's written today, you have certainty. When you're going to look at a parcel for development, you know what's regulated, you know what's not. And under existing regulations in New York State, DEC can come out and say because of these special factors in your site, we're going to expand beyond what the current maps are.

Under this bill, the maps are informational only. They have no force and effect of law. So I'm going to work on a project that I have no idea, from the onset, what's developable and what's not, what I have to do setbacks from.

And I don't know what the compelling argument is to dispense with a program that we think has worked well for 30 years. So I urge you -- and I'll be happy to stop in. For each of the items you cited there, we'll talk about the details.

On the DFS regulatory authority provision, for some unknown reason, DFS -- or the budget language is proposing to strike language that says DFS cannot regulate

financial institutions whose exclusive regulation is under federal law. I don't know that it's implementable. We don't even understand what the purpose of language like that is.

We understand and support the overall purpose of what expanding DFS authority to what are now unregulated entities and unregulated types of transactions like payday loans. But some of the language in there goes way beyond what DFS -- what we understand DFS's intent to be.

So each of these, we have, I think, a very detailed, specific set of concerns about how, again, intent may be good, but the way it's being presented here and implemented, we have real concerns about.

SENATOR HOYLMAN: Thank you. No, I appreciate it. Thank you.

CHAIRWOMAN KRUEGER: Assembly.

CHAIRWOMAN WEINSTEIN: Assemblyman Ra.

ASSEMBLYMAN RA: Thank you, gentlemen, for being here.

I just wanted to go back into where

you concluded your remarks, the small business tax reform. And if you have any numbers on, you know, the percentage of that sector that is impacted by this proposal as opposed to the stand-alone piece of legislation that you mentioned or previous Executive Budget proposals to help with small business.

MR. POKALSKY: Yeah. I don't have it with me, but -- and we're working on that.

One thing we know is the vast majority of small businesses in the state are not C corporations. So they're all -- most of them pay their tax on their business profits on the personal income tax.

So that, you know, 95 percent, 90 percent of small businesses -- a small fraction would benefit under the benefit bill as drafted, because it only applies to sole proprietors. So partnerships, LLCs, sub-S's would not be subject.

But we're -- it's hard to get the data on the structure of taxpayers, because the department doesn't report it that way.

That's something we're working on, to illustrate the scope. The limited scope, I should say.

ASSEMBLYMAN RA: And then the other piece, obviously, we all know with regard to our business climate, certainly it's its cost in taxes, but in many ways it's also time and regulations.

So any thoughts in that regard as to whether there's anything in this budget or what we should be doing going forward to reduce some of those regulations that take up time and resources from businesses?

MR. POKALSKY: They're not in the budget, but there's other legislative proposals pending. Like last year there was a bill, we think it was a little narrower than it could have been, to say if you're a small business faced with a first-time regulatory obligation, you make a minor non-public health mistake in compliance, you have a cure period before civil penalties are imposed.

Legislation was passed that says

agencies, when adopting regulations with a significant impact or broad impact on small business, should issue small-business-oriented compliance guidance, and we support that.

Some other legislation pending before both houses that speak to agencies taking a little closer look when they're doing regulations, as to what the impact is on small business and how maybe alternative compliance measures might be available to them, just to companies that are -- would have less wherewithal.

So we do think there's ways, short of going back and repealing or modifying underlying regulations, to make the process work a little bit better.

ASSEMBLYMAN RA: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Senator Shelley Mayer.

SENATOR MAYER: Thank you, Madam Chair.

Good afternoon, gentlemen. Nice to see you. John, nice to see you.

I was pleased to see -- and I know it's true -- The Business Council of Westchester strongly supports expansion of full gaming downstate as soon as possible, like ideally this year. Is that correct?

MR. RAVITZ: Yes.

SENATOR MAYER: And I think you have done an analysis of the economic benefit to the region. If not yourself, maybe MGM has. But I think it's pretty clear, and I look forward to any documentation you have that helps us in our argument that the sooner these two licenses are given out, the better it will be for Westchester and the downstate suburbs.

MR. RAVITZ: A hundred percent, Senator Mayer. It's really -- again, the numbers don't lie. And the potential is one that I think all of us should be very excited about.

But let me take another tack in this too, because I think it should all give you hopefully some more confidence in looking to enhance this full gaming license for Empire

City, which is now being owned by MGM Grand International.

They have made a commitment to the community. They have made a commitment to the community to not just come in and say, This is what we're building. They're going block by block, sitting down with residents and businesses to say, Talk to us about what you would like to see. Talk to us about what your concerns are if we were to expand, if we were to create a hotel or a convention-type center. How could we work with you to actually participate in that and be able to use these new facilities for your local communities? That's the right way to do it.

SENATOR MAYER: No, I agree.

MR. SILVA: And so -- so I think again, as you're deliberating this accelerating of the full gaming licenses, the confidence you should have in a corporate -- a corporation that gets it and understand what it means to be a good corporate partner in the community is one that we should all celebrate.

SENATOR MAYER: No, I agree, it's a very effective model. Other players should adopt it.

You know we've had our disagreements on prevailing wage. I understood you said you're producing a report with documentation, which I think you will agree, last year in fact the side that opposed prevailing wage was unable or unwilling or did not produce a document that showed and demonstrated their argument that this somehow would curb economic development in the suburbs.

When do you think that will be available, and who is participating in that?

MR. SILVA: We have -- the Weitzman real estate consulting firm that does these type of papers are doing the work for us.

We have business organizations from around the state who are participating and sharing data, because one of the things -- and you've been a champion of this, and really pressing us -- is to give you real numbers, to give you real data on what the economic impact will be, not just in

Westchester but around the state.

And so we want to get that data, so we've asked folks in these industries to really dig in, give us these data so that the Weitzman folks can really do their job and come up with an independent assessment that we can share with all of you.

SENATOR MAYER: And just -- I know I'm over my time, but when will we expect that?

MR. RAVITZ: We were hoping that this might not be in the budget, which gives them a little more time. But we've told them we really need to have at least top-line numbers in the next three weeks.

SENATOR MAYER: Thank you.

CHAIRWOMAN KRUEGER: All right. We have -- I'm sorry, I'm having a momentary blank.

SENATOR BORRELLO: Senator Borrello.

It's my turn?

CHAIRWOMAN KRUEGER: Thank you, I apologize.

SENATOR BORRELLO: I am still the new guy, it's okay.

CHAIRWOMAN KRUEGER: Well, you're the new guy. And also I was just going to point out that other than a whimsy of history, it might be John Ravitz who sat here for 12 days in a row, instead of Liz Krueger.

MR. RAVITZ: Well, on behalf of my family, I'm so glad you're sitting up there, so --

(Laughter.)

CHAIRWOMAN KRUEGER: Just had to throw that in. I'm sorry, George.

SENATOR BORRELLO: That's quite all right. And thank you very much for your marathon oversight of this -- of these hearings. I can't imagine how difficult that is.

Thank you both for being here. And just as a business owner myself, you know, I see the Governor's war on energy production in New York State continues. And, you know, my questions to you are what are you hearing from your business leaders when it comes to the CLCPA and the upcoming very aggressive restrictions on carbon and energy production

and how that's going to impact businesses and further stress business?

MR. RAVITZ: Well, I can just say for Westchester County we're in that perfect storm right now. We have Indian Point closing in a year. We already have a gas moratorium imposed on the southern part of the county.

We're all for renewables, and we support the renewable programs that are there, but we're also asking the tough questions of all of you, of the second floor, of NYSERDA and the PSC, is are we going to be ready. And so that's one of the things that I think all businesses -- as we encourage businesses to come to Westchester County to grow, they're asking those questions. Are their electric rates going to go up? Is there going to be issues with being able to have the power that they need to do their day-to-day operations? There are a lot of answers that we need, and the clock is ticking.

SENATOR BORRELLO: Yeah, if the

question is are we going to be ready, the answer is no, that's pretty obvious. So --

MR. RAVITZ: Then we need to have a serious conversation and an honest conversation on what that transition is going to look like. And at The Business Council, we're saying that that transition has to be how we're going to continue to use gas in some way, shape or form.

MR. POKALSKY: And the price of energy going forward is a factor as well. And, you know, I spend -- you know, we started out as the State Manufacturing Association, still have a core membership in the manufacturing world, much of which is still fairly energy-intensive as they're looking to make, you know, capital investments with a five, 10, even longer pay-back period. Looking at, you know, really -- and I know it's early, it just passed, the implementation panel -- body was just impaneled. A lot of uncertainty, a lot of concern about what the future supply and cost of both electric power and natural gas is. You know, it's an issue out there.

SENATOR BORRELLO: Yeah, it's a big issue. And, you know, part of the issue is getting the power from where it's being generated to where it is needed most, and that's a huge issue, our aging and failing electrical grid. You know, the Governor wants to blanket upstate New York with renewables, but there's no place for that power to be transmitted down to New York City where it's needed.

And by the way, upstate New York is already 90 percent renewable to begin with when you include hydroelectric power. It's New York City that's only 30 percent renewable. So you kind of need to produce the power where it's needed, unless we're going to spend a lot of money on upgrading our grid, which we should.

So it's kind of a plan that's, you know, aspirational, not realistic.

MR. RAVITZ: Well, the other thing that we're going to need everybody's buy-in for is -- because we support renewables, and they're going to need the backup

infrastructure to support it. We can't even get a town in Westchester County to support an application for a solar farm because they don't want it in where it's placed.

Those types of battles can't happen if we're going to be where we need to be with all the changes that are going to happen.

SENATOR BORRELLO: Agreed. Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Any other?

Then we're going say thank you both very much for being with us today --

MR. POKALSKY: Thank you.

MR. RAVITZ: Thank you very much.

CHAIRWOMAN KRUEGER: -- and set you free.

Next up, we have individuals, so I'll call them up. But then I'll tell you who's up -- oh, I'm sorry, I thought someone was trying to get my attention.

The New York Association of Training and Employment Professionals, and then just be close by, the New York Cannabis Growers and Processors Association. And then to be

close by, Manufacturers Association of Central New York.

Hi, there.

MS. MACK: Hi, how are you?

CHAIRWOMAN WEINSTEIN: One second. Just before you begin, we've been joined by Assemblywoman Dickens a little earlier.

Thank you.

CHAIRWOMAN KRUEGER: Thanks. Please.

MS. MACK: Hi. Good afternoon, everyone. Thank you for welcoming me back. I always seem to get to you right as you get your cup of coffee and your doughnut, so I think that that's probably a good sign.

My name is Melinda Mack. I run the New York State Workforce Development Association, also known as NYATEP, the New York Association of Training and Employment Professionals. Our members include those who educate, train and employ New Yorkers, which includes our community college systems, our BOCES programs, many of the community-based organizations and programs that really fuel the economy of

New York.

Our members serve around a million New Yorkers each year in education and job training and employment services. And as you've heard throughout the day today, much of what we do is undergirding a lot of the economic development investments that are happening across the state.

So I'm also not going to read from my testimony. I have a few key points I want to direct to your attention. As you heard throughout today, economic development is workforce development and workforce development is economic development. Yet although talent is a primary category of site selection at this moment in time, the funding that we're getting to support education, job training and employment pales in comparison to the larger economic development investments.

Growth is hindered statewide. There's 50,000 open jobs, and they remain unfilled due to the lack of skilled talent.

As I said, the commensurate investment

is not there. And when we think about education, job training and employment services, they're really aimed at the 42 percent of New Yorkers that have a high school diploma or less. Many of those pathways that we typically discuss -- community college, four-year degrees, high-tech positions, many of which the head of ESD described earlier -- those are a hope and a dream and lot of skill-based training away for the vast majority of the people in our state.

I also want to just raise for your attention we also have heard a lot about jobs. It seems to be the only metric we use to measure workforce development. It's not about good jobs, it's not about whether or not they're good for New Yorkers or good for neighborhoods, they're really just about whether or not we have a job number.

That's a significant issue for us in the field of workforce development. We really need to be thinking about whether or not these measures take into account employee

retention, advancement, wage growth and employer investment in upskilling. Right now our state primarily basically uses public money to do workforce development and investment. We hold very little through our economic development investments accountable to the employer to continue to upskill and train their workers.

We also heard a bit today about equitable economic development. And I just would like to sort of take a minute to say the workforce system is often thought about at the very, very end or at the kickoff of a project, not in the development or engagement of a community benefit agreement or even in the negotiation with an employer around what their needs are going to be in terms of a pipeline of skill development.

I think we need to have a much deeper relationship and role with the economic development system across the state. As you heard Ryan share earlier, we work really closely together to bring our memberships together. But in reality, when it comes to

the big value, big-ticket-item projects like Amazon, the workforce component is truly often an afterthought.

And so when we're talking about equity and inclusion, we're often asked to produce out of thin air a significant number of workers well after the fact that we would have needed a window to train people with the skills to be able to be successful.

I do want to point out a few things that we've indicated in our testimony this year that we think are important. We strongly encourage that all the Regional Economic Development Council processes require that projects submit a regional workforce development strategy or plan. So if you have someone asking for state money, that employer should also describe not just the jobs they're creating but the wages, their plans for retention, their turnover rates, and more importantly, how they're investing in their own workforce to make sure they have the skills to compete.

As we shared before and I heard Ilana

describe it as well, the vast majority of jobs in our state pay $32,000 a year or less. And so if we can't guarantee that folks are getting upskilled within their employment, we're really going to struggle to continue to have the skills we need to be successful.

Two other items I wanted to indicate. We strongly support removing any of the unnecessary barriers for those who are eligible to work in the United States to access licensing. That should also extend to the military professionals as well. So folks who are coming home from service, we should be able to recognize a paramedic who's a veteran as a paramedic who is not a veteran. We have an opportunity here to increase our skilled workforce.

And then lastly, we indicated in our State of the Workforce report many who are low-skill or low-wage -- I should say low-wage, not low-skill -- they often are using unstable banking environments to be able to support cashing their checks. And so we very much support the Governor's approach

to the Excelsior Banking Network, to make sure that more low-wage workers are able to keep more of their income as they're sort of cashing their checks and getting a leg up in the workforce system.

So with that, I'll take your questions.

CHAIRWOMAN KRUEGER: Thank you.

Senator Borrello.

SENATOR BORRELLO: Thank you.

First of all, thank you for being here and giving your testimony. When I was county executive in Chautauqua County, I went on a crusade to visit 100 businesses in my first 100 days of office. And we got to 107 in 100 days. And the number-one concern -- number one actually was that they needed people that could actually pass a drug test and show up to work every day at the same time, which was a challenge. And number two was people that had the skills to fill those open positions.

So one of the biggest concerns was that when it comes to economic development

incentives, these businesses that would be, you know, hypothetically coming to town to create more jobs, puts more stress on the skilled workforce that's already lacking.

So I agree with you that we need to have a better focus on how we're addressing that workforce issue. But from your standpoint, when it comes to economic development incentives that are truly judged just on how many new jobs you create, isn't that a bit myopic?

Shouldn't we be more focused on ensuring that, number one, we have the proper workforce development resources but, number two, that we're actually ensuring that these businesses can remain here, and resilient, and one of the biggest stressors that they have is workforce development? I'm just curious.

MS. MACK: No, I completely agree with you. And not only is it myopic, it's really shortsighted, if we're going to go with the ophthalmology terms, right?

We really have some significant issues

with how we think about skilled workers and skilled labor. And Chautauqua County, in fact, you have one of the best local workforce boards in our state, and they've really also recognized the need to support small-to-midsized companies. It's really difficult to train onesies and twosies at small businesses, but it's also the place where you get the biggest return on your investment in a place like upstate New York.

But to your point, I think when we think about the investments that are made, for the vast majority of our state's 25-year history, it's through tax credits. So you have the work opportunity tax credit, you have other small business tax credits -- very little is actually spent on the actual training and also the administration of those training programs that are critically important to help folks who have opioid addiction issues or other issues be able to access skilled employment.

SENATOR BORRELLO: So as a follow-up to that exactly, you know, what challenges

are you hearing from the current funding provided through the Governor's budget for the workforce training initiative through the CFA process?

MS. MACK: Sure. So as was discussed before, the Governor has presented a $175 million training fund. As I shared at the Human Services Committee, those dollars have been very slow to flow. There's only about $3.4 million that have been released to date.

I was just with an Industrial Development Agency in Broome County yesterday, and they described their significant challenges to even filling out the application and some of the rigor that's been attached unnecessarily in terms of being able to fill out or apply for the funding.

The other big challenge we have is the flexible funding is pay-for-success dollars. Those dollars, as we've heard throughout the last couple of weeks of testimony, seem to be given to everyone. And so the $69 million that was meant to be for workforce

development now is popping up in the childcare discussion, in the healthcare discussion. And in reality, they're not flexible. DOB has designated them as pure pay-for-success dollars.

SENATOR BORRELLO: So we need more flexibility and we need them to obviously allocate the money sooner than later, so we can start moving forward on this.

MS. MACK: Absolutely.

SENATOR BORRELLO: Thank you.

MS. MACK: Thank you so much.

CHAIRWOMAN KRUEGER: Thank you. Assembly?

All right, actually I do have a few questions.

MS. MACK: Sure, great.

CHAIRWOMAN KRUEGER: Oh, did somebody just say something? No, sorry.

Okay, I have a few questions. So the Governor created this job creation, job development funding stream 175 million, maybe two years ago. This year he's talking about 220 million. Maybe you just want to get back

to me later, but did we spend that 175? Was it really new, or did we just move deck chairs on the Titanic?

MS. MACK: So we certainly moved mostly deck chairs. So for the vast majority of the resources, one bucket was dollars that were already going to SUNY and CUNY that were reallocated and brought back in to be put out through a new process.

The second bucket was tax credits, as well as some resources going out for wind energy through NYSERDA.

And the last bucket was that $69 million for pay-for-success. Those were unspent dollars that were intended to be flexible to meet the needs that we've been articulating from the field -- so if we have training dollars and the problem is childcare, we should be able to pay for the childcare to get someone out of the training and into employment as fast as possible.

We have not had that outcome. What we've had is a strict designation of you have to get employment only. So, for example, an

apprenticeship wouldn't be eligible under these resources because an apprenticeship program takes multiple years until you get to employment, and this program has been designated as a one-year program.

So it really is sort of -- it -- the money is there, but it's been very difficult for our field to spend.

SENATOR KRUEGER: I did a roundtable down in New York City maybe two weeks ago about older women and the issues they face, and how every day I get women -- I'm going to say 55 and up -- begging me to help them find jobs, talking to me about how they got pushed out of the economy too early.

But I also know -- because somebody who was an employment specialist at the roundtable pointed out -- there are 300,000 jobs looking for people in my city on any given day.

These aren't necessarily people who need a lot of job training. They've had a whole career, perhaps, of jobs. What's your advice on how we help -- and I'm not going to

say it's only women. That was the theme of my roundtable -- but really age discrimination and I think companies' desire to push out the older, perhaps higher-paid employee for someone else.

Do you have a recommendation on what we can do about this? Because I think it's ubiquitous and a really huge issue in our society.

MS. MACK: It absolutely is.

And I know that Hunter College has done a ton of work around supporting older Americans; I'm happy to connect you with folks there as well.

The biggest issue is that when we often think about economic development, we're only thinking about the business interests, we're not actually thinking about who's available in the labor market to do the work.

And so for me, I get a little frustrated when I hear language around employer needs. Well, what about the folks who are in the labor market who need good or better jobs, and how are we making sure that

they're accessing them? And that includes older workers.

That being said, I think job training and upskilling means lots of things to lots of people. Right? And so the challenge with workforce development, it runs from the gamut from serving people with really low basic skills and limited English all the way through to folks who just need a four- or six-week refresher course.

CHAIRWOMAN KRUEGER: Great. We should talk more after our hearing.

MS. MACK: Yeah, happy to. Thank you.

CHAIRWOMAN KRUEGER: Thank you very much.

All right, thank you for your attendance today.

MS. MACK: Thank you so much.

CHAIRWOMAN KRUEGER: And our next testifier is, ah, Cannabis Growers and Processors Association. Are they here? Yes. Okay, wasn't listening before. Come on down if you think you're getting close to being called up.

So Manufacturers Association, come on down and get ready. Receivables Management Association International, come on down and get ready. And Associated Medical Schools of New York.

CHAIRWOMAN WEINSTEIN: Nobody has moved.

CHAIRWOMAN KRUEGER: They're not listening.

CHAIRWOMAN WEINSTEIN: But he's here.

CHAIRWOMAN KRUEGER: I know. All right, fine, thank you.

Hi. Please start.

MR. GANDELMAN: Hi. Good afternoon. Thank you for having me here.

My name is Allan Gandelman, and I wear many hats in the farming, hemp and cannabis sphere. I own a certified organic vegetable farm -- and have owned it for the past 10 years -- in Cortland, New York, called Main Street Farms.

Three years ago we were licensed to grow and process hemp for CBD, and we now have a vertically integrated small business

with 40 employees and sell our CBD products across New York State at farmers' markets and large retailers.

Last year I founded and am the president of the New York Cannabis Growers and Processors Association, which represents many of the 500-plus hemp farmers in New York. Our mission, as an organization of cannabis producers, processors and industry partners, is committed to an economically viable consumer-conscious cannabis industry dedicated to the care and well-being of our communities, our environment, and our employees.

The association was formed to fill in the gaps around farming, processing and, most important, policy. The hemp and CBD industry has been growing and changing so fast it has been difficult for federal and state regulators to keep up. We believe that our industry is strongest when all of our small and mid-scale family farms prosper.

Today I'm here to talk about the potential positive and negative economic

development impacts that the Cannabis Regulation and Taxation Act, the CRTA, will have on family farms and small businesses across the state.

Our association stands with the CRTA as it seeks to create an industry rooted in social and economic equity, with a thriving and diverse supply chain that emphasizes craft producers. Efforts such as restricting vertical integration to only micro business licenses, allowing on-premise consumption, and granting social equity group status to disadvantaged farmers are critical to our mission of supporting agriculture and entrepreneurs throughout the state.

However, the proposal also includes some concerning provisions that are a priority for us to address ahead of a vote. One of them is the proposed tax rates exceeding most other states that have legalized thus far. Currently the tax on cannabis is a dollar per gram of dry weight. In contrast, California's tax is 35 cents per gram.

This structure could stifle the growth of small producers and create razor-thin margins, allowing large operations a competitive advantage while potentially driving consumers to illicit market options where similar products will be available at a lower cost. Either we will need a lower tax rate or a progressive tax, like in our craft beer industry, where smaller producers pay a lower rate.

For us to truly end prohibition, and for the program to work from an economic development perspective, we need to stamp out the illicit market. In New York, we have the luxury to look at other states as real-world laboratories to see what has been successful. From our lessons in Colorado, it's very clear that the only way to stamp out the illicit market and bring in tax revenue is to have a low starting tax rate so consumers get used to going to dispensaries. This low rate also lets startup small businesses to get their feet under them in a completely new industry.

As the industry develops, we need a

rate that can increase each year as the market stabilizes and supply and demand are matched. If we look at California, after three years, their tax revenue is only a third of expected. There's only 800 operating licenses, of the expected 6,000, and 80 percent of the cannabis market remains illicit.

When looking at the balance between tax revenue and small business growth, our position is that the tax revenue in the first year or two of the program should only be looked at as a means to stand up the program and the Office of Cannabis Management. Our goal as an association is to create a thousand million-dollar companies instead of one billion-dollar corporation.

Many studies have been done on cannabis taxes and revenue as related to economic development, and they have seen that the true win comes in job creation, local sales tax revenue from equipment dealers, hard good suppliers, and services related to cannabis, but not directly from cannabis.

Aside from taxes, the next piece that directly affects the economic development is licensing structure and canopy size. This directly determines if New York farmers and small businesses will be viable and successful. By New York's own estimate, the state will require 1 million pounds of cannabis per year to meet demand.

As an example, a micro license with a limit of a 5,000 square foot canopy can produce between 500 and 1,000 pounds of cannabis per year. With these production numbers, we will need to give out 1,000 to 2,000 cultivation licenses.

The potential for incubating small business is huge. Currently the CRTA does not put a number on how many licenses of each class will be given out, or the size of those licenses. Our association would like to see a baseline structure so we could estimate the true economic development impact.

We currently have over 500 hemp farmers in New York, many of them with the existing infrastructure to meet the demand,

not to mention the thousands of other operating farms. Prioritizing these farms for cannabis cultivation licenses will help meet New York's demand from day one, create a steady and safe supply chain, and inject millions of dollars into our upstate farming communities.

CHAIRWOMAN KRUEGER: Thank you.

Senator Diane Savino.

SENATOR SAVINO: Thank you, Senator Krueger.

Good afternoon. I had an opportunity to meet with some of your colleagues yesterday. So you guys are currently in the hemp industry in New York State.

MR. GANDELMAN: That is correct.

SENATOR SAVINO: Right. And that's the newly created hemp industry. And so one of the challenges we're seeing with hemp, and we have seen in other states with the legalization of cannabis for adult use, is if you don't do it correctly, you don't have regulations that people understand and that are easy to interpret, you wind up with two

competing markets -- the illicit market, which is thriving in New York State right now, and the legal one.

So if you go into neighborhoods you see -- I actually saw a dispensary in Staten Island labeled "CBD Dispensary," including the little green, you know, symbol to make it look like it was a pharmacy.

So there's almost no enforcement of the regulations. And so are you at all concerned, as we roll out hemp, that that same environment will exist with respect to marijuana?

MR. GANDELMAN: We're not concerned about that if it's done correctly. And so that's the part we're trying to get ahead of right now. I mean, we promote having as many dispensaries in as many neighborhoods as possible so people have access, which is the only way we'll get rid of the illicit market.

If there is only dispensaries in the rich suburbs of the state, that will --

SENATOR SAVINO: They don't want them.

MR. GANDELMAN: And they don't even

want them, but the way the laws are currently, that might be the only people that could afford to purchase from a legal dispensary, and everyone else will be stuck in the illicit market. And that's just what we don't want to see.

SENATOR SAVINO: I'm glad that -- I think Senator Krueger's bill and the Governor's new proposal specifically prevent vertical integration. It was not a requirement in the medical program; that was done through the regulatory process, and it has created all sorts of problems there.

But what I would hope that you guys do is spend a lot of time talking to members of the Legislature in both houses. Some of them don't realize that people smoke marijuana in New York State right now. It comes as a shock to them.

(Laughter.)

SENATOR SAVINO: They don't realize that it is as easy to get as ordering a sandwich and, you know, anything off Amazon. There are apps -- there are apps for the

illicit market. You can have anything delivered to your house, and the illicit market looks incredibly like the legal one.

So I would hope that you guys see your role here as educators to members who don't seem to really understand why it's important that we get this done right and we don't overtax it. Otherwise, we will wind up just like California did, with a thriving illicit market that makes more money than the legal one.

MR. GANDELMAN: Right, correct. I agree 100 percent.

And it's just the taxes, it's the licensing structure, how many licenses there are, who's allowed to participate in the program and where those businesses operate.

So I think we have to look at it as a holistic solution and not just like it's only a tax issue or it's only a licensing issue. But there's many, many pieces to this that we would like to see worked out potentially in the CRTA right now so we don't have to worry about them being worked out later.

SENATOR SAVINO: I would encourage you to read the MRTA as well.

MR. GANDELMAN: Yes, I have, many times.

CHAIRWOMAN KRUEGER: Thank you.

Assembly?

CHAIRWOMAN WEINSTEIN: No.

CHAIRWOMAN KRUEGER: Senator Borrello.

SENATOR BORRELLO: Thank you again, Madam Chairman.

And thank you for being here.

So if I'm hearing you correctly, you're very concerned that New York State might overregulate and overtax your industry? Welcome to New York State.

(Laughter.)

MR. GANDELMAN: It seems to be the theme of today, I guess.

SENATOR BORRELLO: Yeah. Yeah, that -- so as a business owner, yeah, welcome to the club.

So -- but my concern is this. You basically -- I just want to make sure I got this correct. And I agree with you that the

taxes that are being proposed are excessive. And you mentioned the dry-weight tax of $1 per gram versus California, 35 cents, and that complicates things further.

But I think what I'm hearing you say is you're suggesting that New York State only set the rates so it generates enough revenue merely to cover the cost of the administration. There should be no tax revenue for the state to go into the General Fund beyond that, is that what you're suggesting?

MR. GANDELMAN: I think that's what we've been seeing when you're starting a program like this, is not to look at it as a huge tax revenue marker that you're using in other places, but just to create a really robust program.

Once it matures in, you know, two or three years, then you slowly can increase the taxes and now have tax revenue for the rest of your state.

In states like Colorado, they actually don't even spend their tax revenue from that

year, they hold on to it for a whole year to wait because it's so unpredictable right now that they don't want to all of a sudden have a huge shortfall because they were relying on cannabis taxes that next year aren't there.

SENATOR BORRELLO: Well, it is going to be unpredictable because of that same fact. Because, you know, we decriminalized marijuana here, and I don't know how you tell the difference between legal marijuana and illegal marijuana.

And in all the other states that have legalized it, the black market is booming. And that's part of the challenge that we face here in New York.

But also where I live, in Western New York, we have several Native American territories. They've all indicated that if it's legalized here, they're going to sell it.

So how do you propose that a legal distribution, which is probably going to be 30 to 50 percent more than, say, the Seneca Nation is selling it, how are they going to

be able to survive with that kind of distinct economic difference?

MR. GANDELMAN: Well, it doesn't have to be 30 to 50 percent more. And the way it will be 30 to 50 percent more is if automatically it is taxed more. Right?

SENATOR BORRELLO: So you're saying in order for this to be viable, New York State has to price this -- or has to tax this at a point where we're not going to make any additional net revenue to the budget. Is that what you're saying?

MR. GANDELMAN: Correct. Yes. We need to fund the program, which has a number on it --

SENATOR BORRELLO: So we're going to legalize marijuana, we're going to deal with all the social issues, all of the law enforcement issues, and make no money to help cover those costs, so that your business can thrive.

MR. GANDELMAN: Well, here's the thing. You're already dealing with all the social issues. People are driving all over

the place, they're driving to Massachusetts, there's a huge illicit market.

From all studies that have -- from other states, once they have legalized, they have not seen tremendous increases like projected here in New York on --

SENATOR BORRELLO: You're right.

MR. GANDELMAN: -- you know, from the sheriff's departments and everything else. So --

SENATOR BORRELLO: Well, the AAA just came out with a report saying that there's a 70 percent increase in fatalities with people having THC in their blood in the State of Washington. So I would probably challenge that.

MR. GANDELMAN: Well, THC stays in your blood for 30 days, so I think we would have to look at some more studies than just that one.

But I think how -- all of the things that we have that you think will be problems with the legal market are currently problems with an illegal market. And for the first

year or two, those taxes just need to hold up the program.

After that, yes, there will be a lot of tax revenue, just like in craft beer. That's created over 20,000 jobs in New York State. We can do the same thing for cannabis, but instead we're not doing that.

CHAIRWOMAN KRUEGER: All right, I'm going to cut this off.

SENATOR BORRELLO: Thank you.

CHAIRWOMAN KRUEGER: Although I'm going to throw in my two cents, since I carry a similar bill to the Governor's.

The gentleman's right, we do not want to overtax any of these products, because we want to close down the illegal market. And if you overtax it, people will stay in the illegal market where you don't know who they're buying from or what they're buying.

As opposed to a legal product that's licensed and is literally reviewed for safety from seed to sale, so it's a better product or mix of products to be selling.

The gentleman is also right that over

time, you can grow your prices as you've established your industry, as with lots of other new kinds of businesses that start. I don't agree with him that there's no money originally. We are looking at how each state that has legalized already has moved forward, avoiding their mistakes and hopefully coming up with the I guess what I want to call the sweet spot for pricing cannabis, so to speak.

And we can talk about -- not in the hearing today, George, but I'll be happy to give you more material than you will ever want about cannabis, its safety or lack thereof. It is not a perfect product, I don't encourage people to use it. But it is far, far safer medically, from a driving, from any measurement, to alcohol. And we seem to enjoy having legal alcohol in this state.

So I want to thank you very much for your testimony.

Did I cut off any Assemblymembers? Okay. Thank you very much for being here.

MR. GANDELMAN: Thank you.

CHAIRWOMAN KRUEGER: All right, my staff will get you immediately large quantities of not marijuana, but material about it.

(Laughter.)

CHAIRWOMAN KRUEGER: The Manufacturers Association of Central New York. Hello.

MR. WOLKEN: Hello. Thanks for having me today.

My name is Randy Wolken, I'm president and CEO of MACNY, the Manufacturers Association. And our trade association represents over 300 members with over 55,000 employees in a 26-county region. I'm also the president and CEO of the Manufacturers Alliance, which represents seven regional manufacturing associations statewide with 2400 members.

We're dealing with increasing challenges for our members because of the competitive global environment, and they continue to be forced or at least have to consider shutting down and relocating either overseas or to different parts of the country

because of incentive packages or lower production costs, cheaper wages and lower taxes.

But we continue to work with you here in Albany to help lessen some of these impacts and to allow manufacturers to thrive here. Manufacturers want to be in New York State, they truly want to do business here.

One of the most significant things that you could do in the State of New York right now would be to eliminate the corporate franchise tax for all manufacturers. I want to thank Assemblyman Stirpe and Senator Kaplan for introducing legislation that would do just this.

As you know, in 2014 the State Legislature and the Governor enacted a zero percent corporate franchise tax for manufacturers who were C-corps -- these are the large manufacturers -- and immediately we were propelled into the top ten states in the country for pro-manufacturing income-tax climates.

We think and we believe it would do

the same for small and medium manufacturers. In fact, that's the largest number of manufacturers in the State of New York: Over 75 percent of manufacturers are of this type.

What this allows them to do is make investments in things like inventory, capital equipment, complex machinery, buildings, research and development, as well as IT and software.

And the C-corps right now have this advantage to invest in these areas and grow their businesses. We believe the small businesses and medium-size manufacturers should have the same benefit.

You know, there's this misconception that these tax distributions will somehow pass through to the owners. If that were the case, C-corps would actually want to be pass-through entities. That's actually not the case. What small and medium manufacturers pay in New York State is the second-highest individual tax rate in the country. So inadvertently, what we've done is put these small and medium-size

manufacturers at a competitive disadvantage.

Also we've put them at risk to being lured to other states. In fact, there's a significant amount of pressure we're hearing from companies to locate to other states. Governors, economic development officials are actually calling them aggressively and trying to incentivize them to leave. Now, these are locally owned manufacturers, and they have strong ties to New York State. And we'd like them to stay.

The Manufacturing Research Institute of New York State commissioned a study to look at analyzing the impact of extending the zero corporate tax rate to small and medium manufacturers. The Beacon Hill Institute in 2019 found that if you did this, you could increase private-sector jobs by more than 5,000 in the first year, and over 6200 by 2024. You'd see a rise in investment of $150 million by 2024, real disposable income would increase by $365 million in 2020 and surge by $524 million by 2024.

You'd make a solid investment in our

economic future, and that would cause more jobs, more investment. And you'd send a strong message to manufacturers that the current manufacturing community is valued and that you want them to be here, and you'd actually put us on an even keel for being a major competitor in the international space. This would make a very positive impact for existing companies and make us even more attractive to manufacturers.

So I'll stop there. And I thank you for your ongoing support of manufacturers, and I'll take your questions.

CHAIRWOMAN KRUEGER: Thank you.

Senator Borrello.

SENATOR BORRELLO: Thank you again.

Thank you for being here and giving this testimony.

So manufacturing, where I'm from in Chautauqua County, is still very strong. And the challenge is workforce. So I understand, you know, the impact -- you're saying we can create more jobs. But, you know, we have to fill the jobs that we have right now, and

that's really the challenge.

And I'm just wondering, you know, what the Manufacturers Association is doing to kind of, you know, support the idea of being able to return the skilled workforce that we need in order to support those manufacturers.

MR. WOLKEN: So a favorable tax climate obviously helps support existing jobs, to include these jobs that are open as well as create future jobs. It makes us competitive.

In terms of a talented workforce, we actually have, through the Manufacturers Alliance and MACNY, a really robust apprenticeship program which now has expanded statewide to hundreds of companies. Dozens of career pathways are being created. In our community alone, over 50 companies have done it with close to 200 new apprentices being created.

So we think the "earn and learn" approach is one of the best approaches. Start with an existing employee, while you're earning, and continue to expand over the next

three years. You'll go from entry-level wage to $25 to $30 an hour, with benefits. In our communities, such as yours and ours in Central New York, it's the highest-paying jobs.

So we believe the earn-and-learn approach is probably the best, and we're actively engaged in doing that statewide.

SENATOR BORRELLO: And there's really -- then there's no debt, either, associated with that learning process.

MR. WOLKEN: No. No, it's the best way, actually, to learn and earn.

SENATOR BORRELLO: I agree. And, you know, in our region most of the small entrepreneurs who are manufacturers, in that industry, are folks that started out with those type of programs and then went on to own their own business or buy the business that they're working for. So if you wanted to be a small business owner, getting into the skilled trades is probably one of the best ways in upstate New York.

MR. WOLKEN: It really is the

post-high school approach to really earning, learning and not having a significant debt. And there are literally thousands of job openings, everything from welders to mechanical techs, that we absolutely have to have to be viable.

SENATOR BORRELLO: Yeah, I mean, I've said that before, if we had a hundred welders tomorrow, we could have a hundred jobs for them tomorrow.

MR. WOLKEN: Absolutely.

SENATOR BORRELLO: And that's the absolute challenge that we face. And with every other difficult climate in New York State, if we could solve the workforce problem here, that would probably overcome a lot of those other challenges of doing business in New York State.

MR. WOLKEN: Absolutely, it would help tremendously for our members and so many throughout upstate.

SENATOR BORRELLO: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: Thank you.

Assemblyman Stirpe.

ASSEMBLYMAN STIRPE: Hi, Randy, how you doing?

MR. WOLKEN: Good seeing you.

ASSEMBLYMAN STIRPE: You know, we've worked together on a lot of things over the years. And I remember back in I think 2013 doing a survey, and as everybody has talked about, the number-one issue was workforce and not finding people.

I'm just wondering if you feel that the attitude of the employers has changed at all over the years. Because when we first started looking into this and you had said, Well, what kind of a worker do you want, of course they wanted a 15-year experienced, you know -- you talk to them a little bit longer and they want a unicorn, basically. And they expected you to just deliver that to them.

I remember years ago, like at General Electric and places, they'd give you $500 if you found your cousin and would go to work and then they would train them.

Have companies realized that they have a responsibility in the training area also, and not really expecting government to solve every problem that they have?

MR. WOLKEN: Well, I think that the success of the apprenticeship program is justification and speaks to this. I mean, they're willing to hire and train through an apprenticeship approach, which actually is great for everybody. The individual ends up being an approved apprentice, a registered apprentice, they can use that whatever they need to go, it makes them more viable.

Our experience in standing up this program in about 18 months would suggest that it's real and that employers now know they have to get engaged.

I'd also say a lot of our members are getting engaged now at the high school level and even the middle school level. We have hundreds of companies in our region, as you know, that are actively engaged in showing people what those jobs are like for the future, and that changes people's

perceptions.

Specifically at home, oftentimes parents will say, you know, I don't want my child to be necessarily a welder -- which is a fantastic job, by the way. So I think the opportunity to both educate and learn at the business side, we've been actively engaged in. And I agree with you that the whole attitude's changed. They have to invest, and they see it.

ASSEMBLYMAN STIRPE: You know, the other thing, as I've gone around the state hosting small business roundtables and talking to people -- you know, it's been spoken about earlier, transportation and childcare are like big issues that -- we have low unemployment, we need to draw more people into the workforce, and the only way we're going to do that is somehow get women to go into maybe some of the nontraditional jobs in manufacturing and construction and things like that.

And I know that you're also working with Early Childhood Alliance and those

people. Are you seeing much progress being made?

MR. WOLKEN: I'm seeing a basic level of general awareness now that we need to invest in childcare, figure out ways to solve that at a community level. I think you're right there, that and transportation are probably the two main barriers that we have to solve. And I know the latest round in our region, funding some transportation solutions will help, I think, in a meaningful way.

But we do have to address them, and it's critically important that New York State be a partner in doing that. We have to create a better market. Those are lower-paying jobs in childcare.

In fact, we're introducing in our region at least a look at creating apprenticeship pathways in that space because, quite frankly, the pay is too low to keep quality childcare workers in the space. So we're going to have to come up with some innovative solutions.

But you're right, those are two big

problems.

CHAIRWOMAN WEINSTEIN: Thank you.

ASSEMBLYMAN STIRPE: Thank you.

CHAIRWOMAN WEINSTEIN: Assemblyman Ra.

ASSEMBLYMAN RA: Thank you very much for being here today.

So the study about eliminating the franchise tax for the small and medium-size manufacturers, those numbers are in New York State?

MR. WOLKEN: Yes. We actually have them broken down by county and the number of employees and by businesses. And this would affect the entire state. It would be an immediate shot in the arm, we believe, to manufacturers throughout the State of New York.

ASSEMBLYMAN RA: Great. Because I know, you know, over recent years there has been an increase I believe of about a million manufacturing jobs nationwide, but we've lost manufacturing jobs in New York. So obviously that would be a very clear way to reverse that trend.

Are there other things that you can recommend that would also help, along with the tax structure?

MR. WOLKEN: Yeah. The reason why we think tax structure is a good place, it levels the playing field for everybody. You don't have to apply for a program, you're a part of that.

Beyond that, we've talked about workforce. Not having enough people to fill open positions is a significant challenge. That in and of itself could expand production and actually allow growth.

I think we have to be concerned about any kind of legislation and/or requirements that make a larger burden on businesses. So we should be looking, you know, intelligently at our implementation. Sometimes even the best-laid programs end up causing us significant heartburn at the manufacturing level because it's quite frankly competitive internationally.

So I think looking at the business climate will always help. Training is

absolutely critical. And then of course we've seen the impact of changing the tax rate for C-corps; we need to do that for small and medium manufacturers.

ASSEMBLYMAN RA: Great. Thank you.

MR. WOLKEN: Sure. Thank you.

CHAIRWOMAN KRUEGER: Thank you very much for your attendance today. We appreciate it.

MR. WOLKEN: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

All right, our next participant is Donald Maurice, outside counsel, Receivables Management Association International. No doubt I'll learn what that is.

MR. MAURICE: Good afternoon. Chairpersons Krueger and Weinstein and distinguished members, it is an honor to address you this afternoon.

My name is Don Maurice, and I am outside counsel to the Receivables Management Association International, also known as RMAI. It's a nonprofit trade association representing over 550 companies that purchase

or support the purchase, sale, and collection of performing and nonperforming receivables on the secondary market.

RMAI fully supports licensure of debt collectors as is proposed by the Governor's budget bill. Licensure protects consumers and creates significant barriers to bad actors.

While much contained in the Governor's budget proposal is consistent with licensing requirements designed to protect consumers, it contains several provisions that are highly problematic and harmful to consumers. Let me explain how this occurs.

As proposed, debt collectors would be limited to two communications with a consumer in a seven-day period. When commencing communications with a consumer for the first time, debt collectors typically make two collection contacts in the first seven days. Usually this consists of a telephone call followed by a letter.

Under the proposed restriction, if the consumer calls the collector in response to

either communication within that seven-day period, the debt collector is prohibited from communicating with the consumer.

Imagine a consumer who is facing the repossession of her automobile. She has already received a letter from a debt collector stating that an immediate payment is required to avoid repossession. And she notes, when looking at the caller I.D. on her telephone, that the same collector has already called but that call was not answered. Concerned and wanting to avoid repossession, she immediately calls the debt collector in the hope of working out a lower payment. This bill would prohibit the debt collector from answering that call.

The letter and unanswered call mentioned in my example are the totality of communications that are permitted within the proposed seven-day cap. No other communication is permissible, absent the consumer's prior written consent or a court order. The result does not bode well for our hypothetical consumer. We see no reason why

honest, hardworking consumers should suffer such harsh results.

Consumers seeking to resolve their delinquent accounts to avoid embarrassing judicial and nonjudicial collection efforts should not be hamstrung from communicating with their creditor's agents.

The second provision of the budget proposal that we're concerned with is electronic communications. And it's almost a total restriction on electronic communications between debt collectors and consumers.

Let me start with this. Electronic communications benefit the disabled, persons for whom English is a second language, and afford consumers greater control when interacting with debt collectors. But the proposal provides that these electronic communications can only occur when the consumer has given his or her prior written consent directly to the debt collector. Even if that consent was given to the creditor on whose behalf the debt collector is acting,

the communication is not possible.

But to be sure, these electronic communications mean far more to those challenged by physical disabilities. For the physically disabled, a trip to a mailbox can be difficult. And for the visually impaired, electronic communications make communications more accessible and less costly. For example, consumers suffering from visual disabilities can use any widely available email program to convert text to speech. And if English is not the consumer's primary language, electronic communications can be easily converted to any language.

The proposed law relegates communications to those common in the early 20th century. We know that communication technologies have changed, and we also know, as I pointed out in my written testimony, that consumers prefer electronic communications to phone calls and letters because of that control. And aside from this immediate harm, we also know that we are concerned that these technology barriers may

deny New Yorkers from future innovative technologies.

We know these issues can be resolved, and we are ready to work with you and all stakeholders to correct them and achieve the bill's intended result.

Thank you for your time.

CHAIRWOMAN WEINSTEIN: Thank you. We have no questions. We have your written testimony; we have no questions at this time. Thank you for being here today.

MR. MAURICE: Thank you.

CHAIRWOMAN WEINSTEIN: Next we hear from Jonathan Teyan, Associated Medical Schools of New York. And he will be followed by a panel of the Motion Picture Editors Guild, Louis Bertini, and Theatrical Teamsters Local 17, Thomas O'Donnell.

Please begin.

MR. TEYAN: Thank you, Chairwoman Weinstein. And good afternoon to all the distinguished members.

My name is Jonathan Teyan. I'm the chief operating officer of the Associated

Medical Schools of New York. AMSNY is the consortium of the 17 medical schools in the state. We have more medical schools than any other state in the nation. We educate more physicians, we train more medical residents.

When most people, I think, think of medical schools, they tend to think of educating physicians and providing clinical care. I actually want to talk a little bit today about the third leg of the stool, which is biomedical research and the importance of state investment in life sciences to spur further growth of our bioscience sector.

Just to give a bit of context, by far the largest funder of biomedical research, particularly basic science research, in the U.S. is the National Institutes of Health. New York is the third-ranked recipient of NIH funding. In 2019, $2.9 billion flowed into New York in NIH funding. Sixty-seven percent of that went to the medical schools.

We've actually, fortunately, seen an uptick in the total NIH budget in the last five years, but for more than a dozen years

prior to that, NIH funding had been absolutely flat. And when you adjust that trend for inflation, we actually saw that there was a 25 percent decline in the purchasing power of an NIH dollar. And in that vacuum, many other states stepped in and started very large-scale investments in their own bioscience sectors.

As an example -- several examples, actually -- California launched a $3 billion STEM cell program. Texas launched a $3 billion cancer program -- in fact, Texas just authorized an additional $3 billion investment in that. Massachusetts invested a billion and a half in life sciences. We've seen this around the country, that there are very large investments over the long term to grow the bioscience sectors in each of those states.

One of the consequences of that is that the competition for scientists became quite overheated. And New York in particular, because we have some of the best academic research institutions in the

country -- in fact, in the world -- we became where many of those states came to to go shopping, go shopping for scientists. And in the first few years after Texas launched its multi-billion-dollar cancer program, we lost more than a dozen scientists because we were unable to match the sorts of offers that Texas institutions could make.

And so what we had proposed and what the Legislature and the Governor wisely recognized was that the state should support the recruitment and retention of world-class scientific talent in New York. And this took the form of a $20 million appropriation that was part of the larger $620 million life sciences initiative.

This $20 million is for a program called NYFIRST, and what it does is it provides up to a million dollars for a medical school to recruit or retain, you know, the very best star scientists. And we've actually seen that this has proven much more effective than we even anticipated.

So this program was launched in 2017.

The first round of funding was made in 2018. We had three awardees, one at the University of Rochester, Columbia University, and Mt. Sinai School of Medicine.

When those recruits were brought into the state, they brought with them labs that function effectively as small businesses within the medical schools. Each of these labs employs at least eight to 10 people.

And in fact, in this first round we've seen that just in the first year, those three labs have created 40 jobs. We anticipate that they will create 100 jobs in the first three years of the program. And in addition to that, they have brought in $16.5 million in additional outside funding.

And so what we are looking for and hoping that you will support is, firstly, the reappropriation of the unspent funds for the NYFIRST program in the current budget and a new appropriation of $20 million so that we can keep our institutions competitive for the very best scientists in the world.

Thank you. Thank you for the

opportunity to testify.

CHAIRWOMAN WEINSTEIN: Thank you.

We have a question from Assemblywoman Hyndman.

ASSEMBLYWOMAN HYNDMAN: Hi, Jonathan. Good to see you.

Two quick questions. You're saying that we have 17 medical schools in the State of New York, but we're recruiting individuals from outside the State of New York. How many of our medical schools are growing these scientists and keeping them in the State of New York and not losing them to California and Texas, is my question.

MR. TEYAN: So this program actually would do both, and in fact is doing both.

So the idea is that we both want to be able to recruit scientists, you know, regardless of where they're from, and we also want to develop our home-grown scientists.

But at the same time, we have had many scientists at the medical schools who have had offers from outside New York, and we would like to prevent them from leaving, if

we can, if we can match the offer. And so the NYFIRST program does that. We actually can apply for funds through the program so if there's a bona fide offer from an institution outside of New York, we can try to make a counteroffer and keep them here using state funds to help that.

ASSEMBLYWOMAN HYNDMAN: So do you break down the number of women that are in biomedical sciences, that become scientists? Do you break down the number of women, minorities, black, Latino?

MR. TEYAN: It's an excellent question. And this program doesn't require that and doesn't do that. It is a very large focus of our organization and of the medical schools.

I will say that in the first round of funding there were three scientists brought in. One of them is a woman who is just a leader in her field, cancer genomics.

And we actually are very focused, through other programs, on developing underrepresented folks coming into the

sciences. We think that's really important both for the composition of the workforce but also to help drive the science into the places that it needs to go.

And so this program doesn't address that specifically, but the medical schools are very much committed to addressing that.

ASSEMBLYWOMAN HYNDMAN: Okay. Thank you.

MR. TEYAN: You're welcome.

CHAIRWOMAN WEINSTEIN: Thank you. There are no other questions.

MR. TEYAN: Thank you.

CHAIRWOMAN WEINSTEIN: So next, as I mentioned, we have Motion Picture Editors Guild and Theatrical Teamsters Local 817, to be followed by Protect the Adirondacks, to be followed by Reinvent Albany.

MR. O'DONNELL: Good afternoon, Chairwoman Weinstein and distinguished members of the Senate Finance Committee and the Assembly Ways and Means Committee. My name is Tom O'Donnell. I am president of

Theatrical Teamsters Local 817. In addition to Local 817, I also present this testimony on behalf of the entire film community and labor community.

Thank you for the opportunity to describe the unparalleled success of the Empire State Film Production Tax Credit and for your long-term support of this manufacturing industry, the manufacturing of content.

In the 2020 legislative session the union's top priority is ensuring the continuity and stability of the tax credit. We testify today in support of including a five-year extension of the program in the State Budget. Additionally, we also testify in support of revising the minimum spend requirements in furtherance of the Governor's objective to improve the efficiency and sustainability of the state's program.

In 2017 alone, New York saw $3.9 billion in local spending, a fivefold increase from 2004. Jobs have shot up 55 percent since 2004, compared to 24 percent

nationally, and growing at a rate four and a half times faster than the overall state economy. The credit supports 48,300 and $6.7 billion in economic activity across the state, in addition to countless non-qualified activities supported by the critical mass of local talent and infrastructure that the credit has enabled.

The average annual wage for workers in these credit-supported jobs is approximately $90,000, and the state saw approximately $780 million in fiscal revenues earned from qualified productions in 2017.

This tax credit is first and foremost a union program. We fight to ensure high wages, full benefits and robust protections for the growing number of workers in the industry. Local 817 alone has seen an increase of 250 percent in membership, with an increase in wages and benefit contributions from $70 million to $380 million. And the Teamsters are just a sliver of this employment pie.

With increased demand for labor, we

can now point to the many new pathways to opportunities provided regardless of race, gender, or educational attainment.

The unions have invested millions of dollars, engaged in comprehensive outreach, and proposed legislation to continue diversifying the industry's talent pipeline in both above-the-line and below-the-line jobs, 44 percent of which do not require a four-year college degree.

One out of every three jobs added to our new sector is created in New York, representing 18.3 percent of the national share. We're in a golden age of television production, hosting a record number of episodic series in 2017, with 91 series and pilots were supported by this tax credit.

A long-term extension of the tax credit incentive is critical for episodic television, which relies heavily on the budgeting predictability that a stable tax credit program affords.

This is a global competition, and the argument that New York will always have its

fair share of film work due to its locations and creative appeal is a fallacy. A production does not have to be physically present in New York to film a New York story.

The currently proposed one-year extension, coupled with the reduction of the rebate percentage, will heighten concern and weaken confidence in the program. New York needs to show its commitment to our industry by extending the program an additional five years.

That is not to say that proposed reforms weaken the program. In contrast, they acknowledge New York's success and the state's determination to ensure a well-calibrated program into the future. One of these proposals includes requiring a minimum spend of $1 million on downstate projects and a minimum spend of $250,000 on upstate projects in order to access the credit. After careful consideration, we unions collectively recommend that downstate projects must instead spend $1.5 million for eligibility and that upstate projects must

spend $1 million.

In addition to increased savings, the purpose of raising these minimums is to ensure that projects receiving the benefits of the tax incentives are paying fair wages and benefits. In our collective experience, projects with budgets below these thresholds improperly treat crews as independent contractors. It is inappropriate to allow productions to avoid paying taxes and benefits to collect a taxpayer-funded subsidy.

In summation, New York is now a world hub for film production, creating thousands of high-paying union jobs. It is the tax credit that has made the difference, and our trajectory is dependent on its extension. Because of these reasons, myself and my brothers and sisters in the labor movement urge you to include a five-year extension of the tax credit in the State Budget, and we urge you to increase the proposed minimum spend thresholds to facilitate projects into the program.

I thank you for your time, and I look forward to answering any questions.

MR. BERTINI: Good morning, Chairwoman Weinstein and members of the Senate Finance Committee and Assembly Ways and Means Committee.

You have my report, so I will just read a brief summary. I'll start by seconding everything that Tom has just told you, absolutely.

I am Louis Bertini, the eastern region vice president of the Motion Picture Editors Guild. I am also an editor and a working member of my guild. And I thank you for this opportunity to provide testimony and urge the extension of this program for five years.

We have experienced a boom in episodic projects because of this incentive. In 2019 we hosted over 100 television series, and we provided postproduction workers and services for most of them. These projects require multiyear budgeting and the stability of a venue's tax credit plays a significant role in the budget planning. Without a five-year

extension, producers will be hesitant to bring their work here.

The incentive is a proven job creator. Over 10,800 people currently work in the field in postproduction and production, with an average income of $83,400. The program creates opportunity for all New Yorkers regardless of race or gender or sexual orientation, and a diverse talent pool breaks down barriers to opportunity.

To sum up, this program is an overwhelming success. These credits have supported the creation of thousands of jobs and billions of dollars of wages and economic opportunity. We respectfully request the inclusion of a five-year extension of these credits in the state's budget to ensure a continuation of the growth and vibrancy of this industry throughout the state.

I thank you for this opportunity and look forward to any questions you might have.

CHAIRWOMAN WEINSTEIN: Sure. We go to Senator Borrello.

SENATOR BORRELLO: Thank you very

much. Thank you both for being here.

You know, this is obviously a challenging budget year for us, and I'm sure you've heard that from a lot of folks. You know, my concern really -- and I will say, in full disclosure, that we were very fortunate to have a major motion picture filmed in my district, in Chautauqua County, and for the first time ever. So I understand that these credits do help enhance that.

But 93 percent of the films are done in New York City. And New York City eliminated their credit that they were offering. So they really don't have any skin in the game anymore, yet they kind of gobble up 93 percent of that credit.

You know, in an era right now where we are looking at trying to close a $6 billion budget gap, how do you justify hundreds of millions of dollars for a city that had many, many films and episodic television done before because people want to film in New York City? That's the bottom line. They want to film in New York City. So how do you

justify that when the city itself doesn't even have any more skin in the game?

MR. O'DONNELL: Well, I think it's a two-part answer to that question. First off, Buffalo is turning into a mini-production center. I have a $30 million Universal show going there. I was talking to one of the brothers, they want to do a whole episodic TV series there.

Production is -- there's a vibrant independent film community in Syracuse. Hudson Valley is exploding with work.

Now, to answer the question about people want to be in New York. Now, I've worked in the industry, I've been representing this industry for 30 years, and I'm also the motion picture director for the Theatrical and Trade division for the International Brotherhood of Teamsters for North America. I'm intimately familiar with the industry, with the history of film tax credits, with its construction and its impact.

Even though creatively people want to

be in New York, they would not be in New York without that film tax credit. The only state in this country that could sustain having no film tax credit is California. And even California had a 40 percent reduction in production until they instituted a film tax credit.

So that's my answer to why we need this.

SENATOR BORRELLO: Well, and again, I think -- you know, you mentioned Buffalo and upstate New York areas, and I agree, that's where an influx could be helpful. I just think, you know, it's not -- the playing field is not level at this moment, with 93 percent going to New York City --

MR. O'DONNELL: Well, you do know that there's a 10 percent labor rate on for upstate New York, which has helped -- you know, which has helped communities like Buffalo and Syracuse and Hudson Valley blossom.

SENATOR BORRELLO: Well, yeah, I just think it's a tough budget year and it would

be nice to see the city have some skin in the game again, since they get the major -- the lion's share of the benefit. That's my major concern.

MR. BERTINI: Let me just add something interesting quickly to that, just to the overall picture.

When I started out, a long, long time ago, most of the people in my area came from the film schools at NYU and Columbia. I am from NYU. What I'm seeing now is something very different. Many of the young people coming in are all coming from the state universities and Syracuse and Ithaca and places like that. My assistant, my own assistant came from Ithaca.

The reason I think why this is happening is because many of our senior members, the senior members of the Editors Guild, are now teaching programs in the State University system, and they are helping their students to enter the field. So there is a benefit in that way going to the younger people, and I think that helps.

SENATOR BORRELLO: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: Just one quick question, or really more. As I read what you testified to, it would be important to have a longer extension, not just the one-year extension of the tax credit, and also to increase the minimum spend level of a production in order to receive the credit. That's correct, you'd like those two changes to be made?

MR. O'DONNELL: Yeah, they -- so much of the work today is episodic television, whether it's network or streaming. And they make the assumption that every show is almost going to be a hit. So when they're looking to locate a production, they're looking three to five years down the road.

So -- and I know that it's -- there's -- the law says it's in place, but there's concern about the future allocations and the program's been so wildly successful. And that's why we're asking for a five-year

extension.

And we do believe that having the minimum spends, it both -- it also reduces the burn rate. And a lot of these shows, like I said, you know, our experience is that they're paying them minimum wage or treating them as independent contractors, not paying benefits. And back in 2002 when we were hemorrhaging feature films and television shows to Canada and elsewhere, we still had a vibrant, independent film community. So I don't feel that that would be necessary to include that in anything less than a million.

CHAIRWOMAN WEINSTEIN: Thank you very much for your being here today. Thank you.

MR. O'DONNELL: You're welcome.

MR. BERTINI: Thank you. Thank you very much.

CHAIRWOMAN KRUEGER: Thank you.

Our next panel, Protect the Adirondacks and Reinvent Albany. Maybe we can reinvent the Adirondacks and protect Albany.

(Laughter.)

CHAIRWOMAN KRUEGER: Oh, you're right, you were not a panel. Excuse me, Peter, it's just you.

MR. BAUER: Thank you, Senator. Thank you.

CHAIRWOMAN KRUEGER: Thank you.

MR. BAUER: And the members of the Senate and Assembly.

Protect the Adirondacks is here today to talk about the Regional Economic Development Council program in New York and some of the shortfalls for how this program works for small rural communities in the Adirondacks and other places upstate.

The Regional Economic Development Council approach to economic development is not working for many places in the state. While it's politically expedient and popular, it fails to accomplish its two central goals, to assist private businesses to expand or start up, and to strategically support communities to build social amenities that will attract new population and will attract investment.

Year after year we see big dollar awards in the Regional Economic Development Council, but when you actually look at the money that actually makes it to small communities, less than 20 percent is actually funding real economic development activities.

These are tough times in rural America. The Adirondack Park occupies a landscape of a population with about 14 people per square mile. That's a landscape of rural America that occupies about 60 percent of the country but only has about 6 percent of the population. It's pretty extraordinary.

Across rural America, there are still fewer jobs than there were before the Great Recession, while the metropolitan and urban areas not only gained -- regained all the jobs lost during the Great Recession, but they added 12 million more.

A recent study by the State Comptroller said that of New York's job gains, over 600,000 jobs gained since the Great Recession are in New York City alone,

and the rest, another 600,000 were in the city and suburbs of Long Island, Westchester, Rockland and Orange Counties. The job growth is not making it upstate.

For the Regional Economic Development Councils, the proof is really in the puddling. In 2019 there was $67 million, 67.9 million that was allocated to the North Country. But when you strip away how that money was actually spent, it tells a different story.

Thirty-five million dollars was awarded through the federal Industrial Development Bonds program. It's rarely accessed in the North Country, it's rarely accessed in the Adirondacks. Another $3 million was in Excelsior job credits -- again, rarely accessed in the North Country, rarely accessed in the Adirondacks. Fifty-six percent of the REDC award for 2019 isn't even applicable to the region.

Another $13 million went for a variety of worthy projects, but they're culvert replacement and upgrades, they're salt shed

storage facilities. They're stormwater projects. They're municipal water and sewer projects. Again, worthy programs, but I don't think you would actually call these economic development programs.

When you actually strip away, only about 25 percent of the $67.9 million awarded in 2019 went to economic development programs for planning, for strategic planning for local governments, for rural economic development, helping to build local institutions, amenities, parks, streetscapes, viable businesses and so forth.

Rural America needs these programs. The rural communities of the Adirondacks need this type of investment. Half of all counties, over a thousand across the country, are losing population in rural America. The Adirondack communities, the rural communities of the Adirondacks, are in competition with a thousand other counties across the country who are looking to recruit businesses, looking to recruit population, looking to build dynamic communities.

We badly need these investments, but unfortunately the REDC is falling short. So I would urge the legislators to take a hard look at the accountability of this program, which is really a signature program of the Governor's, to really see how it's working well for upstate and where it's falling short. Because in the Adirondacks, when you look at this program, it's falling short and it's not meeting our community needs.

Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Any questions?

CHAIRWOMAN WEINSTEIN: No.

CHAIRWOMAN KRUEGER: We appreciate your being here with us.

MR. BAUER: Thank you.

CHAIRWOMAN KRUEGER: Next year we want to make sure you get into the Parks hearing instead of the Economic Development hearing. Thank you.

Okay. Next up is our Reinvent Albany. And then after Reinvent Albany will be our last panel for this hearing. So if those

people are here and want to get themselves ready, this will be the final panel of this hearing.

MR. SPEAKER: Good afternoon, Chairs Krueger and Weinstein and members of the Legislature. My name is Tom Speaker, and I'm a policy analyst for Reinvent Albany. Reinvent Albany advocates for open and accountable government.

Thank you for the opportunity to testify today on economic development issues related to the fiscal year 2020-2021 budget and legislative session. Today I'm going to read a summary of the longer testimony that was submitted.

We call on the Legislature to sharply reduce business subsidies, collectively costing New York State and local governments $10 billion a year, and to follow the commonsense step of proving subsidies are a good investment. New York States should not be providing $4.5 billion in subsidies to businesses while the state is running a $6 billion deficit.

The consensus of independent experts across the political spectrum is that business subsidies do not work. Over the last decade, a large body of evidence has been presented showing that subsidies are a poor use of taxpayer funds and are motivated more by politics than demonstrable results.

For instance, in 2018 Tim Bartik at the W.E. Upjohn Institute collated 30 studies that together show subsidies impact business decisions, at best, 25 percent of the time and, at worst, 2 percent of the time.

It will not be easy to cut wasteful business subsidies, because nobody wants to give up free government money. But you need to start somewhere, and we suggest by taking the 10 following steps.

Number one, hold a hearing after the budget on business subsidies inviting experts from across the nation. We name some of them in this testimony.

Number two, eliminate the state and local capital gains tax benefit for the federal Opportunity Zones business subsidy.

The Opportunity Zones program, established by the Trump administration, has been derided in both the New York Times and the Wall Street Journal for being poorly designed and ineffective at boosting lower-income communities. Opportunity Zones have actually been shown to benefit favored developers and investors far more than any other group.

New York State should reject this giveaway, as four other states already have. The Legislature can act by passing the original version of Senator Mike Gianaris's Bill S3401, which will restrict the subsidy by not providing relief for the state capital gains tax.

Number three, wean Hollywood from New York State taxpayers by reducing the $420 million spent on the film tax credit by at least 5 percent annually for the next decade, then assess the results.

Reinvent Albany strongly supports reducing the size of the film and TV tax credit, as the evidence does not justify a subsidy this large. Thirteen states have

eliminated their film tax credit altogether since 2009, since it has proven so costly and generated so little return for the investment. A study by USC professor Michael Thom found the tax credit in New York State had no effect on employment whatsoever.

Number four, end hundreds of millions of dollars in subsidies to the oil and gas industry before imposing new assessments on those companies. Reinvent Albany urges the Governor and Legislature to cut subsidies to the oil and gas extraction and distribution industry. The Governor proposes in his Executive Budget enabling NYSERDA to levy an assessment on gas and electric corporations. It makes no sense for New York to both subsidize and tax the oil and gas industry.

The Legislature should instead examine curbing subsidies like airline fuel, residential energy and the portion of fuel costing more than $2 a gallon.

Number five, reduce the number of IDAs and LDCs and make them more accountable, including by passing legislation recommended

in the State Senate Investigations and Governmental Operations Committee's report on this issue. We highlight particular bills we support in our written testimony.

Number six, increase the budget of the Authorities Budget office, a crucial subsidy watchdog, to at least $3 million and maybe even more than $4 million. The Senate Investigations and Governmental Operations Committee report issued in December called for an increase in the budget for the ABO, recognizing that the office's skeleton crew of 11 employees can't possibly oversee 583 state and local authorities collectively spending $51 billion a year and holding $282 billion in public debt.

Number seven, reform the IDA tourism tax credit in New York State General Municipal Law.

Number eight, reduce benefits and make changes to the proposal extending the Excelsior Tax Credit Program and enhancing it for green projects.

And then numbers nine and ten, reject

reauthorization of the Department of Economic Development's administration of the Empire State economic development funds and reject reauthorization of DED's general loan powers, as detailed in our submitted testimony on Parts EE and FF of the TED Article VII budget bill. We will not support reauthorizing the funds without greater transparency of these economic development projects.

Thanks for the opportunity to testify today. I welcome any questions you might have.

CHAIRWOMAN KRUEGER: Okay.

CHAIRWOMAN WEINSTEIN: Thank you.

CHAIRWOMAN KRUEGER: Anyone else want to ask --

CHAIRWOMAN WEINSTEIN: No. No.

CHAIRWOMAN KRUEGER: We appreciate your testimony today. Thank you.

MR. SPEAKER: Thank you.

CHAIRWOMAN KRUEGER: All right. And our last panel, Center of Excellence, Center for Advanced Technology, Norma Nowak, Ph.D.; I believe a group or company called Athenex,

James Clements; and Enhanced Pharmacodynamics, Stephen Keegan, former student.

I don't know, you have to give your companies names I can say.

DR. NOWAK: Well, we call it EPD for short.

(Laughter.)

CHAIRWOMAN KRUEGER: Welcome.

DR. NOWAK: Thank you to the chairs of the committee, Senator Krueger --

CHAIRWOMAN KRUEGER: I'm sorry, we're going to do 10 minutes for the three of you. Okay?

DR. NOWAK: Okay. Thank you.

CHAIRWOMAN KRUEGER: Three for each and then -- okay?

DR. NOWAK: Perfect.

CHAIRWOMAN KRUEGER: Thank you. Only because we're three hours or two hours off our --

(Laughter.)

DR. NOWAK: Thank you to the chairs of the committees, Senator Krueger,

Assemblymember Weinstein, Assemblyman Schimminger, and Senator Kaplan, and members, for the opportunity to testify today. And thank you for your support of the COEs and CATs.

I am Dr. Norma Nowak, and I lead the University at Buffalo Center of Excellence in Bioinformatics and Life Sciences, as well as the UB Center for Advanced Technology in Big Data and Health Sciences, and I am here on behalf of my friends and colleagues at the CATs and COEs across the state.

The CATs and COEs are among the highest-performing economic development programs in the state, and under the Governor's current proposal, funding for the program would be cut by 27 percent and all 29 CATs and COEs would have to be consolidated and compete for a reduced pool of funds.

The COEs and CATs are both focused on driving innovation across New York in a multitude of industry sectors. The COEs were established to take advantage of regional strengths and talent, and the CATs are

designated for their ability to address specific emerging technologies identified as state priorities.

The COEs provide an environment to foster and nurture collaboration between academia and industry. In fact, several of the COEs were designated and received a capital investment in buildings, including Buffalo's. The COE facilities provide technology experts and staff, student talent, and state-of-the-art infrastructure that are critical to the success of companies such as Athenex, who you will hear from shortly.

We have made significant progress in New York to grow an innovation economy via these important NYSTAR programs. By eliminating the COE program, New York will be breaking a critical pipeline to industry growth.

The CAT program cuts across many technology sectors and was developed to encourage greater collaboration between the private sector and universities in the development and application of new

technologies. New York's technology sector is growing at one of the highest rates in the nation and is one of only three states that has seen growth over 25 percent.

For the past three years, the CATs have been responsible for 2300 jobs created and/or retained, and $1.5 billion in economic impact. The COEs have created and/or retained 5700 jobs, with $1.1 billion in economic impact.

I have with me two individuals who reflect the success of UB's COE and CAT.

Dr. James Clements is the director of project management for Athenex, a global pharmaceutical company focused on improving treatments for cancer that began 15 years ago as a University at Buffalo startup. And we all understand, life sciences companies require a much longer path to achieve success. Athenex underwent an IPO in 2017, now employs 581 individuals -- with 172 in Western New York -- reached a market capitalization of $1 billion, and raised another $100 million in 2019.

Mr. Stephen Keegan is an employee with Enhanced Pharmacodynamics, also known as EPD, a University at Buffalo faculty-founded startup based in our Center of Excellence which applies computational model-informed drug development strategies for cancer therapy. Stephen was awarded a funded internship through our Center of Excellence Career Experience Program, and as a result of that internship he was hired full-time by EPD.

Having lost my husband to cancer when we were 38 years old, it has been very rewarding to be part of the growth of two companies focused on treating such a devastating disease, which I assure you will someday touch all of our lives.

Now I'm going to turn it over to my partners.

CHAIRWOMAN KRUEGER: All right. Thank you. Hello.

DR. CLEMENTS: Hello. And thank you, Dr. Nowak.

My name is James Clements. I am the

director of project management at Athenex. I'm very happy to be here, very humbled to be here today. And I certainly appreciate everybody's time.

I have actually been with Athenex almost since the start, for 12 years now. And I have witnessed firsthand how the Center of Excellence and the Centers for Advanced Technologies work hand in hand and how they've been able to sustain our early development in clinical programs and in many ways have contributed to the establishment of Buffalo, New York, as the North American headquarters for Athenex.

As a small company with limited resources when we started out, being co-localized with a Center of Excellence allowed us unique opportunities to extend our R&D efforts and gain unique insights into multiple aspects of our platform technologies. Proximity and access to the Center of Excellence in Bioinformatics and Life Sciences and the Center for Advanced Technology played a big factor in our

leadership's commitment to remain in Buffalo, New York, despite the perceived advantages of relocating to other biotech hubs, which we've touched on today.

Our medicinal chemistry efforts, which are central, the core of our drug discovery efforts, are currently housed in the UB Center of Excellence, where our chemists have immediate access to state-of-the-art equipment and, probably more importantly, the innovative and creative staff and faculty that make up the COE.

Based on previous, existing and potential new collaborative relationships with investigators at the Center of Excellence, we are actively planning to expand our activities in Buffalo. And even as I speak, we have a new collaboration set to begin which is actually ideal for the CAT funding program. It's a highly innovative project born from UB that can benefit directly, we think, from our established drug development and clinical trial experience.

A loss or reduction in the capacity of

the Center of Excellence to function at its fullest potential is expected to really hobble our capacity to continue our R&D efforts which are so important to advancing our current pipeline candidates and expanding our programs into additional therapeutic areas.

Our hope is that Buffalo will continue to attract startup companies that can take advantage of facilities like the Center of Excellence and programs made available through the CAT program and, in return, like Athenex, it is anticipated that a number of these companies will establish their roots in an environment that enables and fosters and supports innovative technologies and collaboration between academic and private industry -- and also, importantly, provide current and future access to a highly trained workforce.

Both the Center of Excellence and the programs supported by the CAT have proven instrumental to the early success of Athenex -- then we were Kinex -- and our

continued ascension as a global pharmaceutical player dedicated to improving the lives of cancer patients and their families throughout the world.

Thank you so much.

CHAIRWOMAN KRUEGER: Hi.

MR. KEEGAN: Hi.

As an undergraduate at University of Buffalo I was studying chemical and biological engineering, and I always had an affinity towards data-driven science, in particular the life science area.

I didn't know that I was able to continue doing this type of premier research in Buffalo. I totally thought my career would end up in Boston or San Francisco, because that was the only two places that you could do it at the time. Or so I thought.

And then I took a course, which was a computational elective that told us all about the great resources that UB has to do -- through these premier life science companies. And through there I got an internship with the UB Career Experience Program. It was a

funded internship, and I was able to be paid to do work at Enhanced Pharmacodynamics.

After I had an internship there, they offered me a full-time position, so I'm now a data scientist. I work on validating novel and on-the-market drugs. I do all types of data mining processes in terms of collecting data for some of our own in-house models.

And in conclusion of being -- staying in Buffalo, I was able to leverage my relationships with my department, and I am a master's student at UB. So I thought as soon as I graduated I was going to have to ship off somewhere, and now I get to stay within two hours from home and go home and ski with my parents on the weekends, and I just get to -- it's really nice to stay in Buffalo and not have to go to either side of the coast and work there.

So having this kind of program is allowing me to do premier research while maintaining a relationship with people that I spent four years as an undergrad and now as a graduate student, so I can really harness

these relationships that I have with these professors, continue to do top-notch research, and really perform at a high level in terms of the computational data-driven sciences that I enjoy doing. And I really hope to keep doing it, so it's a lot of fun.

CHAIRWOMAN WEINSTEIN: Assemblyman Ra.

ASSEMBLYMAN RA: I'm going to ask you a question that might be somewhat rhetorical, but maybe you have some information on it.

There's tons of economic development programs we're aware of that New York State has. We've heard about many of them today. Your programs seem to be far and away delivering results, in particular in parts of the state where we're struggling for economic development. Why are you a target for being potentially cut and not having those resources to invest in these types of technologies and industries?

ASSEMBLYMAN SCHIMMINGER: Ed, let me just answer that question.

(Laughter.)

DR. NOWAK: Thank you.

CHAIRWOMAN WEINSTEIN: Okay, Assemblyman.

ASSEMBLYMAN SCHIMMINGER: This program, the Centers of Excellence program, the Centers of Excellence program and the CAT program have been around a long time, and their handicap is that their origins predate this administration.

(Laughter.)

CHAIRWOMAN KRUEGER: I'm going to go for the Senate.

So actually, according to their testimony, you are not correct.

ASSEMBLYMAN SCHIMMINGER: Pardon?

CHAIRWOMAN KRUEGER: You are not correct. The Governor, this Governor, signed legislation written by Donna Lupardo in -- oh, no, that was updating, in 2011.

ASSEMBLYMAN SCHIMMINGER: Yeah, that was merely a codification of the program.

CHAIRWOMAN KRUEGER: Sorry. Sorry, sorry, sorry.

DR. NOWAK: They were created in the early 2000s. And we were one of the first

centers.

CHAIRWOMAN KRUEGER: Thank you.

I was going to ask you a similar question to my Assembly colleagues. So what kind of trouble have you gotten into?

DR. NOWAK: Pardon?

CHAIRWOMAN KRUEGER: Well, I mean many economic development deals and projects have. And you cite an Office of the Comptroller study that I gather is saying good things about your outcomes, when earlier today I was reading Comptroller studies showing bad things on other programs.

So as far as you know, you've gotten yourselves into big legal problems?

DR. NOWAK: No.

CHAIRWOMAN KRUEGER: No. Just doing your work.

ASSEMBLYMAN SCHIMMINGER: Your return on investment is awesome. The investment of state dollars is relatively small. And unfortunately, for the past several years the funding has been proposed to be cut in the Executive Budget but restored in the finally

adopted budget.

It's a program which really does a lot with less. And if it ain't broke --

DR. NOWAK: It does a lot with less, Assemblyman Schimminger. But what it also does is we work not only within the university, but we reach out into the community. We have K-12 programs, I go to BOCES and we work with BOCES programs. We are really trying to not only just have a reach, which starts -- because if you don't reach the minds when they're in middle school, it's going to be too late.

And you have to turn them on to the science. And we go in and show them, here are the cool things you can do. And I tell them, I started a company. Someday, that could be you. You don't have to go and work for someone, you can be the someone.

And you make these kids believe that they have a great path in front of them, and you show them the way down the path.

And when Stephen, you know, was at UB, we got him an internship through this Career

Experience Program. He earned it. And he now has a full-time job. And he gets to stay in New York, his family is in Syracuse. What parent doesn't like to hear a story like that?

ASSEMBLYMAN SCHIMMINGER: The Centers of Excellence that strike me are the classic original anchors for the development of clusters. Case in point, the Buffalo Niagara Medical Campus.

DR. NOWAK: The whole -- so this was UB's first footprint in downtown Buffalo. So that was in the early 2000s. The building opened in 2006. And if you think about it, the Buffalo Center of Excellence really was a catalyst for the transformation of downtown Buffalo and the growth of that medical campus.

CHAIRWOMAN KRUEGER: I want to thank you all for being here. I think you have lifted our spirits with a positive story at the end of the Economic Development hearing for this year.

DR. NOWAK: Well, we really appreciate

your support. And it was -- I'm -- you know, we were -- I think if you want to say save the best for last. But being able to sit here and listen has been -- it's been a really good day. Thank you.

CHAIRWOMAN KRUEGER: Thank you.

DR. CLEMENTS: Thank you.

MR. KEEGAN: Thank you.

CHAIRWOMAN KRUEGER: I believe this ends the Economic Development hearing this year.

And we are now moving to our last hearing for the budget this year, and I am handing over the keys to the car to my colleague -- no, I'm not leaving, but the next hearing is the Assembly's hearing. So as the Office of Tax walks in and takes their seats, I'm handing the keys to the car over to Assemblywoman Weinstein.

(Whereupon, the budget hearing concluded at 3:10 p.m.)