

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

3 JOINT LEGISLATIVE HEARING

4 In the Matter of the
5 2020-2021 EXECUTIVE BUDGET ON
6 ECONOMIC DEVELOPMENT

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

10 February 13, 2020
11 9:37 a.m.

12 PRESIDING:

13 Senator Liz Krueger
14 Chair, Senate Finance Committee

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

17 PRESENT:

18 Senator Pamela Helming
19 Senate Finance Committee (Acting RM)

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

22 Senator Anna M. Kaplan
23 Chair, Senate Committee on Commerce,
24 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

1 2020-2021 Executive Budget
2 Economic Development
2-13-20

3 PRESENT: (Continued)

4 Assemblyman Al Stirpe
Chair, Assembly Committee on Small Business

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

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

9 Assemblyman Kenneth Zebrowski
10 Chair, Assembly Committee on Governmental
Operations

11 Senator John Liu

12 Assemblyman Harvey Epstein

13 Assemblyman Robert Smullen

14 Assemblyman Billy Jones

15 Senator Brad Hoylman

16 Assemblywoman Marianne Buttenschon

17 Assemblyman Christopher S. Friend

18 Senator Luis R. Sepulveda

19 Assemblyman Steve Stern

20 Assemblyman Chris Tague

21 Senator James Tedisco

22 Assemblyman Brian D. Miller

23 Assemblywoman Mathylde Frontus

24

1 2020-2021 Executive Budget
 2 Economic Development
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3 PRESENT: (Continued)

4 Senator George M. Borrello
 5 Assemblywoman Inez Dickens
 6 Assemblyman Robert J. Rodriguez
 7 Assemblyman Charles Barron
 8 Senator Rich Funke
 9 Assemblyman Daniel J. O'Donnell
 10 Assemblywoman Alicia Hyndman
 11 Senator Shelley B. Mayer
 12 Assemblyman Walter T. Mosley

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14

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

5 CHAIRWOMAN WEINSTEIN: Day 11, I
6 think.

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

9 (Laughter.)

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

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

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

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

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

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

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

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

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

10 (Laughter.)

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

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

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

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

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

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

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

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

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

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

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

12 CHAIRWOMAN KRUEGER: Great.

13 And the Assembly?

14 CHAIRWOMAN WEINSTEIN: For the
15 Assembly we have Assemblyman Schimminger,
16 chair of the Economic Development Committee;
17 Assemblyman Stirpe, chair of our Small
18 Business Committee; Assemblyman Jones,
19 Assemblyman Rodriguez, Assemblyman Stern,
20 Assemblyman Epstein, Assemblywoman Frontus,
21 Assemblyman Barron, and Assemblywoman
22 Buttenschon.

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

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

6 CHAIRWOMAN KRUEGER: Thank you.

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

11 Welcome. You have 10 minutes; feel
12 free.

13 COMMISSIONER GERTLER: Great. Thank
14 you.

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

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

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

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

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

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

1 communities to recreate their urban centers.

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

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

16 During this administration, nearly
17 \$16 billion in state contracts have been
18 awarded to MWBEs, more than 8,000 firms have
19 been certified, and our contract utilization
20 rate of over 29 percent is the nation's
21 highest.

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

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

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

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

24 Investing strategically in

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

9 With that, I am happy to take your
10 questions.

11 CHAIRWOMAN KRUEGER: Thank you.

12 Our first questioner will be Anna
13 Kaplan.

14 SENATOR KAPLAN: Good morning --

15 (Microphone off.)

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

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

24 COMMISSIONER GERTLER: Right. Of

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

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

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

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

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

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

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

24 SENATOR KAPLAN: Please. Go ahead.

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

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

19 SENATOR KAPLAN: Thank you.

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

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

5 And having 15 Centers of Technology
6 and 13 Centers of Excellence, that's a total
7 of 28. And last year we put in a million for
8 each of these centers, so that brings the
9 total to 28 million, as opposed to the
10 19.5 million that the Executive has put into
11 the budget.

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

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

1 work that they're doing?

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

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

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

24 SENATOR KAPLAN: Thank you.

1 Could you also address and tell us a
2 little bit about the Entrepreneurship Centers
3 that are throughout the state, the
4 24 centers, how they get funded, and what are
5 the benefits that you're seeing from those
6 programs.

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

11 SENATOR KAPLAN: Yes.

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

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

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

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

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

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

24 I mean, sometimes it's just helping

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

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

13 Thank you.

14 COMMISSIONER GERTLER: Thank you.

15 CHAIRWOMAN KRUEGER: Thank you.
16 Assembly.

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

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

21 ASSEMBLYMAN SCHIMMINGER: Thank you
22 very much, Chair Weinstein.

23 And welcome to your first budget
24 hearing, Commissioner.

1 COMMISSIONER GERTLER: Thank you, sir.

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

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

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

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

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

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

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

1 Okay?

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

6 COMMISSIONER GERTLER: Well, thank
7 you, sir.

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

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

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

1 were 500 that were -- as a requirement; they
2 surpassed that. There was also an investment
3 that needed to be done as well of
4 \$130 million. This year, as you rightly
5 point out, on April 30th they need to reach
6 1460 jobs. They also need to make an
7 investment of \$472 million cumulative
8 investment.

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

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

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

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

16 COMMISSIONER GERTLER: April 30th,
17 sir.

18 ASSEMBLYMAN SCHIMMINGER: -- April
19 30th, they say "We have 1460." You going to
20 believe them? You going to verify it? You
21 going to talk to the Tax Department, Labor
22 Department? How do you know that they
23 actually have 1460?

24 COMMISSIONER GERTLER: Well, certainly

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

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

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

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

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

1 data -- let the chips fall where they may.

2 The idea is objectivity and transparency.

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

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

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

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

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

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

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

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

24 Our Centers of Excellence and CATs,

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

7 COMMISSIONER GERTLER: You know,
8 times --

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

11 COMMISSIONER GERTLER: Times -- times
12 change.

13 (Laughter.)

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

16 (Laughter.)

17 ASSEMBLYMAN SCHIMMINGER: And again
18 and again and again.

19 (Laughter.)

20 CHAIRWOMAN KRUEGER: Senator Joe
21 Addabbo.

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

1 COMMISSIONER GERTLER: Good morning,
2 Senator.

3 SENATOR ADDABBO: We appreciate it.

4 I chair the Racing, Gaming and
5 Wagering Committee, and projected for 2020 is
6 \$4 billion for our state in terms of
7 receipts, which is roughly a \$300 million
8 increase from last year. I know that of that
9 \$4 billion, it is estimated the localities
10 will get 211 million, to localities, which is
11 also an increase from the prior year, about a
12 140 million increase from last year.

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

23 COMMISSIONER GERTLER: Thank you, sir.

24 So I'm going to let our COO,

1 Kevin Younis, shed light on this. Thank you.

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

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

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

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

1 benefit our residents.

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

7 COMMISSIONER GERTLER: Duly noted,
8 sir.

9 SENATOR ADDABBO: Thank you very much.
10 Thank you, Madam Chair.

11 CHAIRWOMAN KRUEGER: Thank you.
12 Assembly.

13 CHAIRWOMAN WEINSTEIN: We go to
14 Assemblyman Stirpe.

15 ASSEMBLYMAN STIRPE: Good morning.

16 COMMISSIONER GERTLER: Good morning,
17 sir.

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

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

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

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

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

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

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

22 ESD COO YOUNIS: Thanks, Eric.

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

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

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

13 I guess one other thing is the
14 \$1.5 million for the hub is really, as Eric
15 said, is about bringing the centers together
16 to focus on a problem.

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

24 ASSEMBLYMAN STIRPE: All right, before

1 I run out of the time --

2 ESD COO YOUNIS: Sorry.

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

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

22 CHAIRWOMAN KRUEGER: Thank you.

23 Senator Helming.

24 SENATOR HELMING: Thank you,

1 Senator Krueger.

2 Commissioner, thank you for being here
3 this morning.

4 COMMISSIONER GERTLER: Thank you.

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

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

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

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

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

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

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

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

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

24 If the reason for the proposed

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

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

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

24 And if we look across some of the

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

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

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

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

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

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

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

3 SENATOR HELMING: Thank you.

4 CHAIRWOMAN KRUEGER: Thank you.
5 Assembly.

6 CHAIRWOMAN WEINSTEIN: We go to
7 Assemblyman Jones.

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

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

14 Broadband is extremely important to
15 all of our state, but in the North Country
16 where I am from, we have a lack of access to
17 broadband. And every year I come here and I
18 ask this question and we say we're 98, we're
19 99.5 percent covered. And a lot of that
20 coverage comes from satellite technology, in
21 my area especially, and that's just not
22 acceptable to my residents.

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

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

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

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

1 need more of this, they need more of that.

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

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

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

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

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

1 residents.

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

5 With respect to broadband, we
6 certainly understand, the Governor
7 understands that broadband is critical as far
8 as the infrastructure. Accessibility today
9 is critical. You know, if you look at where
10 the state was before this program, 30 percent
11 did not have access to broadband -- upstate,
12 65 percent. So those numbers were, you know,
13 unacceptable. We realize that.

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

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

1 often 100 megabits. On satellite,
2 25 megabits, you know, is certainly extremely
3 helpful in making sure that individuals get
4 accessibility.

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

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

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

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

5 CHAIRWOMAN WEINSTEIN: Thank you.
6 Senate?

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

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

12 ASSEMBLYMAN JONES: Thank you, sir.

13 CHAIRWOMAN KRUEGER: Thank you.
14 Senator John Liu.

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

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

22 COMMISSIONER GERTLER: Thank you, sir.

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

1 need to accept condolences on your new
2 position.

3 COMMISSIONER GERTLER: (Laughing.)

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

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

11 SENATOR LIU: Excelsior, yup.

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

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

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

1 COMMISSIONER GERTLER: Well --

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

6 COMMISSIONER GERTLER: Correct.

7 SENATOR LIU: But it's still costing
8 \$1.4 billion.

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

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

17 SENATOR LIU: Yeah. I mean, if I was
18 a small business person and I wanted to
19 generate -- I wanted to open up a business in
20 the State of New York and potentially
21 generate, you know -- I'll be aggressive
22 here, generate a million dollars in taxes for
23 the State of New York, would I be able to get
24 \$140,000 back? Because that's basically what

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

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

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

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

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

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

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

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

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

8 ASSEMBLYMAN SCHIMMINGER:
9 Schwarzenegger.

10 (Laughter.)

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

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

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

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

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

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

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

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

10 CHAIRWOMAN KRUEGER: Thank you.
11 Assembly.

12 CHAIRWOMAN WEINSTEIN: Assemblyman
13 Stern.

14 ASSEMBLYMAN STERN: Thank you,
15 Madam Chair.

16 Good morning, Commissioner.

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

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

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

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

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

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

1 numbers.

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

10 So my question here is, why would
11 421-a exemptions be exempted but IDA
12 incentives are included, again in terms of
13 this formula?

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

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

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

6 Thank you.

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

11 You know, obviously your question
12 raises the point about prevailing wages and
13 how do we structure that for -- under the new
14 proposal. So obviously a minimum \$5 million
15 cap and then 30 percent, as you point out, if
16 there's 30 percent of public funding -- well,
17 let me put it another way. If it's less than
18 30 percent of public funding, there will be
19 no prevailing wages attached to that project.

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

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

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

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

16 ESD COO YOUNIS: Thanks, Eric.

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

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

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

3 CHAIRWOMAN WEINSTEIN: Thank you.

4 We've been joined by Assemblyman
5 Epstein.

6 We go to the Senate.

7 CHAIRWOMAN KRUEGER: Senator Jim
8 Tedisco.

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

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

24 Basically what I'm talking about is an

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

8 I know you probably know the
9 statistics: 1.4 million people left the
10 State of New York in the last decade;
11 189,000 walked out last year alone. Number
12 one in outmigration for the Empire State.
13 Mr. Commissioner, if we continue in this
14 trend, we won't be the Empire State, we'll be
15 the Empty State.

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

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

4 The real concern I think you should
5 have and we should have and the Governor
6 should have is how can we balance a
7 \$170 billion budget if we're no longer "I
8 love NYS" but "I leave NYS." We have to
9 retain people who live here and attract
10 others to come here, especially those who
11 want to build and grow a family, create jobs,
12 create a small business, and those economic
13 leaders in the state.

14 Infrastructure, education, our
15 libraries, our senior citizens, our most
16 vulnerable populations, healthcare -- those
17 are all programs built into a \$170-plus-
18 billion budget. We're not going to be able
19 to afford budgets -- there won't be a
20 \$6.1 billion deficit if we continue this
21 trend, we'll go bankrupt in New York State.

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

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

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

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

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

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

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

23 SENATOR TEDISCO: Well, this is
24 10 years, Commissioner, 1.4 million. It

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

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

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

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

14 SENATOR TEDISCO: Thank you.

15 CHAIRWOMAN KRUEGER: Thank you.
16 Assembly.

17 CHAIRWOMAN WEINSTEIN: Assemblyman
18 Rodriguez.

19 ASSEMBLYMAN RODRIGUEZ: Thank you.

20 And welcome, Commissioner.

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

24 So in 2018, Fiscal Policy Institute

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 ESD COO YOUNIS: Sure. Thanks, Eric.

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

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

1 70 percent having been spent.

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

4 ASSEMBLYMAN RODRIGUEZ: Sorry, I have
5 to interrupt, just because I only have
6 15 seconds.

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

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

1 think more resources are going to be needed,
2 and I suggest you make the corrections in the
3 30-day amendments.

4 COMMISSIONER GERTLER: Thank you.

5 CHAIRWOMAN WEINSTEIN: Thank you.

6 We go to the Senate.

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

9 COMMISSIONER GERTLER: Thank you.

10 CHAIRWOMAN KRUEGER: So the Governor
11 recently announced --

12 (Calls of "mic.")

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

16 THE REPORTER: Thank you.

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

24 One, can you tell me about this? Two,

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

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

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

10 COMMISSIONER GERTLER: Okay, sure.

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

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

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

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

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

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

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

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

7 CHAIRWOMAN KRUEGER: My understanding
8 was there was 500 million plus Excelsior
9 credits if jobs are created. So the
10 500 million, that's not us handing them
11 500 million?

12 ESD COO YOUNIS: Senator, the
13 500 million is only a grant. There is a
14 nominal Excelsior tax credit associated with
15 the project.

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

22 CHAIRWOMAN KRUEGER: But the
23 500 million is a grant.

24 ESD COO YOUNIS: Is a grant.

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

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

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

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

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

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

12 CHAIRWOMAN KRUEGER: Okay.

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

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

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

1 feds? How many deals have been made?

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

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

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

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

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

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

1 something that the State of New York is
2 involved in?

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

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

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

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

24 The most important -- we've had a

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

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

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

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

1 of that effort.

2 ESD COO YOUNIS: Thanks.

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

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

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

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

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

1 requiring a New NY Broadband Program.

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

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

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

19 Thank you. Assembly?

20 CHAIRWOMAN WEINSTEIN: We go to
21 Assemblyman Barron.

22 ASSEMBLYMAN BARRON: Thank you. Thank
23 you very much.

24 You know, I sit here really trying to

1 be patient, but when I look at what's
2 happening in black and brown neighborhoods,
3 and we look at this so-called economic
4 development plan, it's not reaching our
5 neighborhoods. We're in a crisis in our
6 neighborhoods. We've got an occupant in the
7 White House that just released a
8 4.8-trillion-dollar budget cutting food
9 stamps, Medicaid, Medicare, cutting
10 everything in sight. It's a reverse Robin
11 Hood budget, robbing from the poor to give to
12 the rich.

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

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

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

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

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

21 So I'm really livid that we go through
22 this year after year, \$178 billion of
23 All-Funds spending budget in this state,
24 \$178 billion.

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

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

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

24 This is a shame that we have that kind

1 of money, \$4.8 trillion in the federal
2 budget, \$178 billion in the state budget,
3 \$95 billion in the city budget, 30 percent
4 poverty in my beloved East New York. Thirty
5 percent poverty in Harlem. Forty percent
6 poverty in the South Bronx. Brownsville,
7 impoverished. None of this addresses that.

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

16 So I'm hoping that we in the state
17 legislature, my colleagues up here, we should
18 definitely not accept this nor this
19 \$178 billion budget that blames all of the
20 problems in the budget on Medicaid. The most
21 vulnerable people in this state are being
22 blamed for the budget deficit. This is a
23 shame.

24 CHAIRWOMAN WEINSTEIN: Thank you,

1 Assemblyman.

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

5 CHAIRWOMAN KRUEGER: I'm so sorry.
6 Anna Kaplan, as chair, has a second
7 round.

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

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

23 Thank you.

24 CHAIRWOMAN KRUEGER: (Inaudible.)

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

3 CHAIRWOMAN KRUEGER: I'm sorry.
4 Assembly.

5 CHAIRWOMAN WEINSTEIN: We go to
6 Assemblyman Tague.

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

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

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

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

1 1.4 million residents.

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

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

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

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

24 Number one, what regulatory burdens

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

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

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

18 COMMISSIONER GERTLER: Thank you.

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

1 And on the flip side --

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

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

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

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

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

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

19 CHAIRWOMAN WEINSTEIN: Thank you.

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

22 ASSEMBLYWOMAN BUTTENSCHON: Thank you
23 very much for being here.

24 I represent the 119th Assembly

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

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

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

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

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

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

19 COMMISSIONER GERTLER: Sure.

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

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

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

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

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

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

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

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

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

1 internationally, but within the United States
2 also.

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

10 ASSEMBLYWOMAN BUTTENSCHON: Thank you
11 very much.

12 CHAIRWOMAN WEINSTEIN: We go to
13 Assemblyman Epstein.

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

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

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

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

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

1 corporations.

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

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

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

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

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

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

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

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

1 affordable housing?

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

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

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

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

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

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

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

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

17 CHAIRWOMAN WEINSTEIN: Thank you.

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

22 ASSEMBLYMAN FRIEND: Thank you,
23 Madam Chair.

24 I just want to say congratulations on

1 your new appointment.

2 COMMISSIONER GERTLER: Thank you.

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

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

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

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

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

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

15 ASSEMBLYMAN FRIEND: But are we at
16 50 percent utilization, 75 percent?

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

24 ASSEMBLYMAN FRIEND: Just to kind of

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

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

17 COMMISSIONER GERTLER: Do you want to
18 address the equipment?

19 ESD COO YOUNIS: Thanks, Assemblyman.

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

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

6 ASSEMBLYMAN FRIEND: Okay. And then
7 when we're looking at this 1460 FTEs that
8 need to be counted, are we going to allow
9 them to count the Panasonic that they're
10 subcontracting to? Will that be part of the
11 1460? Or do they have to have all of their
12 own employees?

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

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

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

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

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

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

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

24 ASSEMBLYMAN FRIEND: Oh, I can reach

1 out to you there.

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

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

22 CHAIRWOMAN WEINSTEIN: Thank you,
23 Assemblyman.

24 ASSEMBLYMAN FRIEND: Thank you,

1 Madam Chair.

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

5 (Discussion off the record.)

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

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

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

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

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

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

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

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

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

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

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

1 increasing minimum wage.

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

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

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

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

1 cases it depends on the specific business.

2 But, you know, that balance seems to be
3 working.

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

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

24 You know, for example, I'm constantly

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

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

10 Thank you.

11 CHAIRWOMAN WEINSTEIN: Thank you.

12 We go to Assemblyman Ra.

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

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

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

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

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

1 CATs be able to invest appropriately in these
2 different areas.

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

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

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

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

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

7 ASSEMBLYMAN RA: Okay, thank you.

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

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

24 COMMISSIONER GERTLER: You know, I can

1 tell you on -- you know, on our MWBE program,
2 I mean, it has been one where we've seen, you
3 know, increases year after year. And as you
4 point out, you know, almost 30 percent of our
5 contracts are to MWBE firms. Nearly
6 \$3 billion of our contracts are going to MWBE
7 firms. So, you know, that's nation-leading.

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

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

23 ASSEMBLYMAN RA: Thank you.

24 CHAIRWOMAN WEINSTEIN: Senate?

1 CHAIRWOMAN KRUEGER: Thank you.

2 Next, Senator Skoufis.

3 SENATOR SKOUFIS: Thank you very much,
4 Madam Chair.

5 Thank you, Commissioner, for your
6 service.

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

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

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

1 companies that will help to grow the economy.

2 You know, tradable sectors --

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

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

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

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

1 assessment, but that's okay.

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

8 COMMISSIONER GERTLER: So we do --

9 SENATOR SKOUFIS: Do you have
10 investigators within ESD?

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

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

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

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

11 COMMISSIONER GERTLER: I did read that
12 story.

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

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

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

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

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

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

1 the role that we have to provide these
2 companies --

3 SENATOR SKOUFIS: Okay, yeah --

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

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

13 SENATOR SKOUFIS: I got it. One last
14 question.

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

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

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

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

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

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

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

18 You're done, Assembly?

19 CHAIRWOMAN WEINSTEIN: No.

20 CHAIRWOMAN KRUEGER: Assembly.

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

24 In Market New York the Executive

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

8 ESD COO YOUNIS: Thank you,
9 Assemblymember.

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

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

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

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

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

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

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

8 CHAIRWOMAN WEINSTEIN: Thank you.

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

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

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

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

8 But it's also a reason why we need to
9 continue to invest in the green economy, why
10 that needs to be a priority. That's
11 certainly a priority that the Governor has
12 made. It's something that ESD will focus on.
13 There are right now -- from our standpoint,
14 we've seen job growth in the green economy
15 grow over the last few years by almost
16 10 percent, 160,000 jobs in the green
17 economy. And we want to continue that, we
18 want to double down on that to make sure that
19 we continue our nation-leading efforts in the
20 green economy.

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

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

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

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

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

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

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

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

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

4 CHAIRWOMAN WEINSTEIN: Thank you.

5 CHAIRWOMAN KRUEGER: Thank you.

6 Senator Savino.

7 SENATOR SAVINO: Thank you,
8 Senator Krueger.

9 Good afternoon -- is it afternoon?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 COMMISSIONER GERTLER: Great. Thank
18 you so much.

19 CHAIRWOMAN WEINSTEIN: Senator Funke.

20 CHAIRWOMAN KRUEGER: Senator Funke.

21 SENATOR FUNKE: Thank you,
22 Madam Chair.

23 Thank you, Commissioner.

24 COMMISSIONER GERTLER: Thank you,

1 Senator.

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

5 How long does it take ESD to put a
6 package of incentives together for a business
7 that may want to relocate to New York State?
8 I've heard like in North Carolina, as an
9 example -- you mentioned North Carolina --
10 that they can have a package together in
11 48 hours, but that here in New York State it
12 takes laborious hours to get something put
13 together here.

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

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

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

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

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

8 ESD COO YOUNIS: Senator, Kevin
9 Younis.

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

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

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

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

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

13 SENATOR FUNKE: Given all your time in
14 the --

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

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

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

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

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

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

1 those to heart.

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

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

23 COMMISSIONER GERTLER: All right,
24 thank you.

1 CHAIRWOMAN KRUEGER: Thank you.

2 I think that is it for you gentlemen.

3 Thank you very much for being with us today.

4 COMMISSIONER GERTLER: Thank you so
5 much.

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

8 COMMISSIONER GERTLER: Thank you.

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

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

20 (Laughter.)

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

24 So those of you who were really

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

7 (Laughter.)

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

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

12 Hello.

13 COMMISSIONER DESTITO: Hello. Thank
14 you for the comments.

15 CHAIRWOMAN KRUEGER: Absolutely, a
16 little pitch.

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

22 (Laughter.)

23 COMMISSIONER DESTITO: Thank you,
24 Senator.

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

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

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

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

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

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

1 single centralized contract supporting all
2 58 local boards of elections, and even found
3 a way to reduce the list of the necessary
4 associated hardware that resulted in
5 administrative savings.

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

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

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

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

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

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

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

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

4 OGS is also participating in the
5 Governor's Resiliency and Economic
6 Development Initiative, or the REDI program.
7 In addition to serving on the REDI committee
8 and advancing multiple projects for the
9 initiative, OGS is directly managing the
10 \$15 million navigation dredging initiative,
11 which is part of the Governor's efforts to
12 dredge 20 sites in navigable waterways and
13 harbors and keep them operational.

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

1 OGS does an excellent job also at
2 growing businesses. In 2011, the OGS
3 eligible MWBE utilization rate was
4 14 percent, and we are very proud to say that
5 we now have exceeded the Governor's goal of
6 30 percent. As an example, in that time
7 MWBEs have received in excess of \$702 million
8 from contracts associated with our D&C group
9 alone -- up from \$538 million at this time
10 last year.

11 Our success implementing the SDVOB
12 program continues. We have now approximately
13 770 certified businesses in a wide range of
14 categories, from construction and financial
15 services to commodities. Over the 12 months
16 ending September 30th, New York State
17 disbursed over \$103 million to SDVOBs, which
18 represents an 83 percent growth over last
19 year. One great example is Walker Diving
20 Underwater Construction, owned by a post-9/11
21 veteran who was awarded the largest SDVOB
22 contract, at \$9.8 million.

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

1 team. I'm very pleased to report that we
2 have completed renovations at the
3 Adam Clayton Powell Building in Harlem, and
4 we opened up the community room and art
5 gallery, and the Harlem Art Collection has
6 made its first return to the building in over
7 25 years.

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

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

1 Celebration of Community and Contemporary
2 Art."

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

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

18 CHAIRWOMAN KRUEGER: Thank you.

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

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

1 COMMISSIONER DESTITO: Thank you,
2 Senator.

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

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

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

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

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

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

17 SENATOR KAPLAN: Thank you.

18 No further questions.

19 CHAIRWOMAN KRUEGER: Thank you.
20 Assembly.

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

24 ASSEMBLYMAN ZEBROWSKI: Good morning,

1 Commissioner.

2 COMMISSIONER DESTITO: Good morning,
3 Assemblyman.

4 ASSEMBLYMAN ZEBROWSKI: Great to see
5 you.

6 COMMISSIONER DESTITO: It's good to
7 see you.

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

16 COMMISSIONER DESTITO: Thank you very
17 much.

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

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

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

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

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

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

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

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

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

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

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

22 ASSEMBLYMAN ZEBROWSKI: Okay, thanks.

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

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

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

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

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

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

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

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

16 ASSEMBLYMAN ZEBROWSKI: Yeah, I think
17 so.

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

20 ASSEMBLYMAN ZEBROWSKI: Okay.

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

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

3 ASSEMBLYMAN ZEBROWSKI: Sure. Great.
4 Great.

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

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

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

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

22 ASSEMBLYMAN ZEBROWSKI: Okay. There's
23 other people, you can go to them, and then
24 ...

1 (Discussion off the record.)

2 CHAIRWOMAN KRUEGER: Yes, we have
3 Senator Borrello.

4 SENATOR BORRELLO: Thank you, Madam
5 Chairman.

6 COMMISSIONER DESTITO: Hi, Senator.

7 SENATOR BORRELLO: How are you today?

8 COMMISSIONER DESTITO: Good, thank
9 you.

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

16 (Laughter.)

17 COMMISSIONER DESTITO: Okay.

18 SENATOR BORRELLO: I do actually have
19 a serious question.

20 COMMISSIONER DESTITO: Yes.

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

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

3 SENATOR BORRELLO: Lake Ontario.

4 COMMISSIONER DESTITO: Yes.

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

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

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

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

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

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

13 COMMISSIONER DESTITO: Senator Helming
14 was there a lot.

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

17 COMMISSIONER DESTITO: Yes.

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

1 In fact, we had a major flood back in
2 2009 where I live, and they insisted that,
3 you know, it was ice jam flooding. And this
4 actually happened during August. And I'm not
5 an engineer or a hydrologist, but I'm certain
6 it wasn't caused by ice jam flooding in
7 August.

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

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

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

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

1 you.

2 SENATOR BORRELLO: Thank you.

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

6 ASSEMBLYMAN ZEBROWSKI: Thank you,
7 Chair.

8 COMMISSIONER DESTITO: Thank you,
9 Assemblyman.

10 ASSEMBLYMAN ZEBROWSKI: One last
11 question, Commissioner.

12 COMMISSIONER DESTITO: Yes.

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

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

24 ASSEMBLYMAN ZEBROWSKI: Okay.

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

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

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

15 ASSEMBLYMAN ZEBROWSKI: Okay.

16 COMMISSIONER DESTITO: Okay?

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

19 CHAIRWOMAN WEINSTEIN: We go to
20 Senator Helming.

21 COMMISSIONER DESTITO: Senator, thank
22 you.

23 SENATOR HELMING: Thank you. Thank
24 you, Commissioner.

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

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

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

14 COMMISSIONER DESTITO: So it's the
15 Service Disabled Veteran Owned Business. And
16 we have five -- the -- vendors in the IT
17 space, we have the SDVOBs in the IT space,
18 and we also have certified 700 of the vendors
19 since the program has been established in
20 2014. So we have one of the most robust
21 service-disabled veteran-owned business
22 programs in -- probably in the country.

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

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

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

11 SENATOR HELMING: Thank you.

12 COMMISSIONER DESTITO: You're welcome.

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

18 COMMISSIONER DESTITO: We do.

19 CHAIRWOMAN KRUEGER: You do.

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

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

24 COMMISSIONER DESTITO: Thank you.

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

3 CHAIRWOMAN KRUEGER: Appreciate it.

4 CHAIRWOMAN WEINSTEIN: Thank you,
5 Commissioner.

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

8 (Laughter.)

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

12 NYSCA EXEC. DIR. MANUS: Good
13 afternoon.

14 CHAIRWOMAN KRUEGER: Good afternoon.

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

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

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

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

7 NYSCA's core focus is grant-making to
8 nonprofit organizations and artists. Our
9 grantees range from small community-based
10 organizations, like Pendragon Theater in
11 Saranac Lake, to large institutions such as
12 the Glimmerglass Music Festival in
13 Cooperstown. NYSCA's support reaches all
14 62 counties.

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

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

1 development support to over \$4 million.

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

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

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

24 In October we worked with I LOVE NY,

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

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

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

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

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

13 I now welcome your questions.

14 CHAIRWOMAN KRUEGER: Thank you.

15 Senator Anna Kaplan.

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

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

1 this.

2 NYSCA EXEC. DIR. MANUS: Sure.

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

11 The next question was --

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

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

20 SENATOR KAPLAN: Thank you.

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

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

5 SENATOR KAPLAN: Thank you.

6 CHAIRWOMAN KRUEGER: Thank you.
7 Assembly.

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

12 NYS CA EXEC. DIR. MANUS: So our grants
13 are -- you can either apply for a general
14 operating support grant or a project grant.
15 And that covers -- the general operating
16 support grant covers a wide variety of uses,
17 yes.

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

21 NYS CA EXEC. DIR. MANUS: Yes. Yes.
22 We also have a facilities program, and that
23 does fund equipment, specific kinds of
24 equipment that may fall under the IT rubric.

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

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

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

24 CHAIRWOMAN KRUEGER: Thank you.

1 I have a couple of questions, thanks.

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

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

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

15 NYSCA EXEC. DIR. MANUS: Sure.

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

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

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

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

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

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

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

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

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

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

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

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

1 NYSCA EXEC. DIR. MANUS: Correct.

2 It's very -- it's a little hard to hear
3 the --

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

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

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

14 CHAIRWOMAN WEINSTEIN: Assemblyman
15 O'Donnell.

16 ASSEMBLYMAN O'DONNELL: Good
17 afternoon.

18 NYSCA EXEC. DIR. MANUS: Good
19 afternoon.

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

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

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

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

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

10 ASSEMBLYMAN O'DONNELL: Correct, yes.

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

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

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

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

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

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

17 So our largest -- as I mentioned, half
18 of our grants are made to our re-grant
19 partners, and the decentralization program is
20 our large re-grant partner. It's about a
21 \$4 million program. It is administered
22 through 27 arts councils and centers around
23 the state. They are really, as I mentioned,
24 our boots on the ground.

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

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

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

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

24 So can you just describe the money

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

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

8 ASSEMBLYMAN O'DONNELL: Okay.

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

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

17 What we found through both of those
18 years was that while we required a match for
19 the majority of those grants, that didn't
20 prove to be a hurdle, especially for smaller
21 organizations. And I don't -- I can get back
22 to you with the numbers, but we funded -- I
23 know that for the midsize opportunity in
24 2019, I believe that we funded at least 2300

1 organizations that had budgets under a
2 million dollars. The majority of the capital
3 went to organizations with budgets under
4 \$5 million.

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

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

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

16 Thank you very much.

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

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

21 Senator Funke.

22 SENATOR FUNKE: Thank you, Madam
23 Chair.

24 Hi.

1 NYSICA EXEC. DIR. MANUS: Hi.

2 SENATOR FUNKE: Thanks for all your
3 good work.

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

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

14 NYSICA EXEC. DIR. MANUS: Forty-one
15 million dollars.

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

19 NYSICA EXEC. DIR. MANUS: Yeah, it
20 varies by year.

21 SENATOR FUNKE: What's that?

22 NYSICA EXEC. DIR. MANUS: It varies by
23 year.

24 SENATOR FUNKE: It varies by year.

1 NYSICA EXEC. DIR. MANUS: But within
2 those parameters, yes.

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

5 NYSICA EXEC. DIR. MANUS: I can get you
6 those numbers. I don't have them at my
7 fingertips.

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

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

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

19 NYSICA EXEC. DIR. MANUS: Sure.

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

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

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

10 SENATOR FUNKE: Thank you.

11 CHAIRWOMAN WEINSTEIN: Just one
12 additional question.

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

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

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

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

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

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

13 NYSCA EXEC. DIR. MANUS: Yes.

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

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

24 CHAIRWOMAN WEINSTEIN: Thank you.

1 Senate.

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

4 NYSICA EXEC. DIR. MANUS: Thank you so
5 much. Thank you for you having me.

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

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

16 And we always highlight that because
17 we sit here and watch somebody take
18 41/2 minutes and leave their neighbor and
19 friend with 30 seconds. And we always feel
20 bad for the second person.

21 Hi. And you are?

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

24 CHAIRWOMAN KRUEGER: Great.

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

3 (Laughter.)

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

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

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

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

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

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

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

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

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

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

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

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

3 So according to the Cornell Program on
4 Applied Demographics, between 2015 and 2040,
5 our overall state population will grow about
6 1.3 percent, but the number of adults who are
7 65 and over will increase by 50 percent, and
8 the number of adults over 85 will double. At
9 the same time the number of working-age
10 adults for every adult over 85 will drop from
11 28 to 14. So that's a lot less people to
12 care for our aging loved ones.

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

19 While we think we might be able to age
20 gracefully and independently, the reality is
21 70 percent of people over 65 will need home
22 care at some point in their lives. Despite,
23 though, the growing need for home care, there
24 is already a workforce shortage in the state,

1 particularly in upstate parts of New York.

2 So according to PHI, between 2016 and
3 2026, if you count demographics and the high
4 turnover in home care, we're going to have
5 750,000 job openings in home care in New York
6 State -- 750,000.

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

15 Despite this, and because of this,
16 home care and consumer-directed personal
17 assistance are driving local economies across
18 New York and creating jobs in every corner of
19 the state. You want to talk about economic
20 development and jobs? Look at home care.
21 Employment in the healthcare sector is
22 expected to grow faster than employment in
23 any other sector in New York between 2016 and
24 2026, with home healthcare being the highest

1 level of job growth.

2 Even the Governor, who is going after
3 consumer-directed personal assistance and
4 Medicaid-funded home care, had to admit in
5 his budget address, when he quoted a Daily
6 News editorial, that the Medicaid-funded
7 personal care industry added 36,000 new jobs
8 in the first nine months of 2019, making up
9 75 percent of citywide private-sector job
10 growth over this period.

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

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

1 jobs.

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

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

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

22 So we have three recommendations in
23 this year's budget. One is to put aside
24 \$15 million -- \$5 million a year for three

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

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

11 Thank you for taking the time to
12 listen.

13 CHAIRWOMAN KRUEGER: Thank you.

14 Any Senators have questions?

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

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

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

6 CHAIRWOMAN KRUEGER: Thank you very
7 much.

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

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

14 (Laughter.)

15 MR. SILVA: Thank you, Senator.

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

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

22 CHAIRWOMAN KRUEGER: No, that's
23 afterwards.

24 CHAIRWOMAN WEINSTEIN: I think Brian

1 Sampson.

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

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

8 (Laughter.)

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

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

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

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

16 MR. SILVA: Yeah, no problem.

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

19 MR. SILVA: I may begin?

20 CHAIRWOMAN KRUEGER: Yes.

21 MR. SILVA: Thank you so much,
22 Senator.

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

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

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

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

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

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

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

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

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

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

13 However, we also do believe that
14 economic development means more than just how
15 many jobs you create per tax dollar spent,
16 and it's more than just tax revenue. It's
17 growing a successful economy, and it means
18 investing in people, it means investing in
19 place making, and it means investing in
20 progress.

21 We have a relatively low unemployment
22 rate, but we need to invest in communities to
23 help improve quality of life. This requires
24 public, private, academic, and nonprofit

1 organizations working and investing together.

2 Investing in training our workforce is
3 essential for the jobs of tomorrow. I know
4 there's going to be a whole panel discussion
5 on that. We at the EDC firmly believe that
6 the state should continue to invest in
7 workforce, invest in skills, and invest in
8 training. And in fact, many of our members
9 would like to help be a part of that.

10 Investing in infrastructure and
11 transportation is also vital to building
12 sustaining, livable communities. In the
13 absence of a long-awaited federal
14 infrastructure bill, we need to lead by
15 investing in water, sewers, roads, bridges,
16 high-speed fiber and rail.

17 So with that, these are some of the
18 things included in the Governor's budget
19 proposal that we would continue to support:
20 Funding of the REDCs, the Downtown
21 Revitalization Initiative, the \$3 billion
22 "Restore Mother Nature" Bond Act,
23 \$100 million in Green Bank financing. We do
24 like the Upstate Airport Economic Development

1 and Revitalization competition for the
2 airports, and also the expansion of the
3 \$175 million Workforce Initiative.

4 We also do support the Governor's
5 small business tax cut, and we would
6 encourage the Legislature to look at ways to
7 expand on it and support it.

8 Additionally, there are several policy
9 proposals that we believe are important to
10 success across the state. Those include a
11 statutory change allowing IDAs funds to be
12 invested in local economies, like workforce
13 training, land banks, and small businesses.
14 A shovel-ready funding to create shovel-ready
15 sites to attract large-scale economic
16 development. We support a video game tax
17 credit, which is a growing industry here in
18 New York.

19 We support continued funding for the
20 Centers for Advanced Technology and the
21 Centers of Excellence. We support the
22 RESTORE NY program, which is a very popular
23 program for a number of years. And one other
24 area we really see an opportunity is

1 investing in cybersecurity and homeland
2 security technologies, which would include a
3 state-sponsored technology test bed and a
4 virtual apprenticeship program.

5 Thank you very much for the
6 opportunity to provide some testimony, and I
7 would welcome your questions.

8 CHAIRWOMAN KRUEGER: Thank you.

9 Hi.

10 MR. SAMPSON: Hi. Good afternoon.
11 Appreciate the opportunity to be here today.

12 My name is Brian Sampson. I'm
13 president of Associated Builders and
14 Contractors of New York State. We represent
15 over 400 construction companies from Buffalo
16 out to the eastern tip of Long Island. Our
17 primary objective is to help --

18 CHAIRWOMAN KRUEGER: Pull the
19 microphone a little closer.

20 MR. SAMPSON: I can. Is that better?
21 Okay.

22 So our primary objective is to help
23 our members compete and win work in the State
24 of New York. And they wish to do that on the

1 merit of the bid, not based on any undue
2 influence or, if you will, a finger on the
3 scale one way or the other.

4 We're here to testify because we have
5 some significant concerns about the expansion
6 of prevailing wage to private work. It was
7 an issue that's been debated hotly over the
8 last few years, last year in particular. And
9 as it relates to prevailing wage, one of the
10 concerns that we have right now is the State
11 of New York does not enforce its own
12 prevailing wage laws as they exist on the
13 books right now.

14 New York State says in order to
15 negotiate prevailing wage, you have to
16 represent 30 percent of the workforce. But
17 by all measurable standards, organized labor
18 does not represent 30 percent of the
19 construction industry overall. They do
20 represent -- in certain trades, in certain
21 regions, they do have that 30 percent, are
22 entitled to negotiate that prevailing wage.
23 But by the vast majority of the State of
24 New York, they do not.

1 So before we expand prevailing wage, I
2 think one thing we would like the state to do
3 is actually enforce the law that's already on
4 the books and how it calculates and
5 determines what prevailing wage is.

6 We also are a big fan of the 421-a
7 program in New York City. We believe it has
8 done a great deal of good for the boroughs in
9 helping development and helping affordable
10 housing there. That is a local decision
11 that's based on local leadership.

12 The same programs exist throughout the
13 state. They're not 421-a, but they are PILOT
14 programs, payment in lieu of taxes. They are
15 local decisions that are to be determined by
16 people that represent the local community.

17 So our question is if 421-a is going
18 to be excluded from the expansion of
19 prevailing wage to private work, why would
20 you also not include PILOT programs as well?
21 They do the same thing, they allow for local
22 decision-making. If New York City will be
23 allowed and should be allowed to determine
24 its economic future, so too should upstate

1 and Long Island.

2 The other thing -- a couple of other
3 things that we would like to talk about is,
4 you know, expanding prevailing wage to
5 private work. I think there's a
6 misunderstanding of the collateral damage
7 that may exist.

8 When you look at the construction
9 for -- the construction workforce project,
10 they take turnstile data from large
11 construction projects down in New York City.
12 And what it shows is that more than 90
13 percent of the people that are working on
14 those private jobs in New York City -- and
15 80 percent of the private work in New York
16 City right now is being done in an open shop
17 environment -- 90 percent of that workforce
18 is minority, and over 95 percent of it comes
19 from the five boroughs.

20 That's the people that will be
21 impacted under this -- they'll be the
22 collateral damage that exists in this program
23 should this go.

24 The other part of it is that the

1 contractors that choose to do that work, they
2 are some of the fastest growing and safest
3 contractors in the State of New York. We do
4 a survey of our members, and we collect their
5 OSHA information and their OSHA data, and
6 what it shows is as it relates to total
7 reportable incident rates, they are
8 460 percent safer than the construction
9 industry at large. And as it relates to days
10 away from work, they're over 500 percent
11 safer.

12 So the very people that are employing
13 the vast majority of the minority workers in
14 the State of New York are the safest
15 contractors. And expanding prevailing wage
16 to that private work will impact them and
17 their workforce.

18 Our final point is this. The
19 Governor's proposal asks to create a wage
20 subsidy board. There's nothing that could be
21 a worse idea as it relates to the
22 construction industry. Construction, much
23 like every other industry in the State of
24 New York, wants predictability. It wants the

1 elected body -- you -- to be the determining
2 factor of what is considered construction
3 work and what those thresholds should be.

4 It should not be an independent,
5 unelected 11-person panel that's going to
6 determine which projects get captured, which
7 projects don't, what those thresholds will be
8 in the future, what they may not be. We
9 would like the legislative body to continue
10 to be the elected body that makes those
11 decisions.

12 And with that, we are concerned about
13 that expansion of the prevailing wage, we're
14 opposed to it, and would welcome any
15 questions you may have.

16 CHAIRWOMAN KRUEGER: Thank you.
17 Senator Kaplan.

18 SENATOR KAPLAN: I'm good. Thank you.

19 CHAIRWOMAN KRUEGER: Okay. Any other
20 Senators? Senator Borrello. Sorry, then
21 Assembly, then I'll come back to the Senator.

22 SENATOR BORRELLO: My turn? Okay,
23 thank you. Thank you, Madam Chairman.

24 And thank you both for being here.

1 MR. SAMPSON: Thank you, Senator.

2 SENATOR BORRELLO: I do have a
3 question. And again, I'm privileged to serve
4 on the Western New York REDC board -- as a
5 county executive, and I continue now as a
6 Senator. So -- and I do believe that the
7 work that is done is valuable.

8 My concern is, though, with the
9 prevailing wage. I go back to a study that I
10 read by the Center for Government Research
11 that said that the prevailing wage can add
12 20 percent or more to the cost of a project.
13 So if you're talking about this 30 percent
14 threshold that's already tenuous to begin
15 with, that essentially we're giving the state
16 incentives almost entirely to cover the cost
17 of prevailing wage that it adds to a project.
18 That's number one.

19 But more importantly is that you have
20 this subsidy board -- an earlier question was
21 asked of the 11 members that are all
22 appointed by the Governor, who is on the
23 board, and only seven of the 11 could
24 actually be identified.

1 But more importantly, that board could
2 change that 30 percent threshold. Which I
3 think is troublesome, because that's going to
4 create an issue where now we're going to
5 jeopardize projects based on the fact that
6 this board, unelected, and in some cases
7 unknown members, are going to decide whether
8 or not these projects are going to qualify
9 for these subsidies that are critical to
10 overcoming and leveling the playing field
11 when it comes to economic development in
12 New York State.

13 So my question is, how do you control
14 that and not basically throw the baby out
15 with the bathwater?

16 MR. SAMPSON: So it's a great
17 question, Senator. We appreciate it.

18 The board as constructed in the
19 Governor's bill we don't think should exist.
20 It's not right -- we need predictability.
21 Banks need it, insurance agents need it,
22 bonding agents need it, contractors need it,
23 employers need it. They need that
24 predictability.

1 If you don't have that, what you will
2 do is you will suppress economic development
3 in the State of New York because of
4 unpredictability.

5 If something is going to get done, and
6 if there's a group that's going to determine
7 it, it should be an independent body, much
8 like the legislature, that makes those
9 determinations. Without predictability,
10 you're not going to see economic development
11 in upstate New York and Long Island.

12 SENATOR BORRELLO: Yeah, and I agree.
13 As a business owner myself, we're willing to
14 take risks, but we're not willing to take
15 unpredictable risks. And that's what happens
16 in New York State with this situation,
17 correct?

18 MR. SAMPSON: Absolutely correct.

19 MR. SILVA: I would just add that the
20 20 percent number from the CGR study was
21 based on Western New York. When you actually
22 take a broader step back, it varies from
23 region to region.

24 I mean, we've talked about how there's

1 10 different regional economies for the last
2 decade. New York City is different than Long
3 Island, different than the North Country,
4 different than Western New York. Other parts
5 of the state, that cost increase is upwards
6 of 40 percent. So increasing costs by
7 40 percent will more than likely cause a lot
8 of projects just not to happen --

9 SENATOR BORRELLO: So 20 percent is
10 low --

11 MR. SILVA: -- for some regions.

12 I believe you are correct, in
13 Western New York it's 20 percent, based on
14 that study.

15 SENATOR BORRELLO: Well, thank you for
16 that. The challenges continue with trying to
17 level the playing field in New York State.
18 Thank you.

19 MR. SAMPSON: Thank you, Senator.

20 CHAIRWOMAN KRUEGER: Thank you.

21 Assembly? Anyone? Assemblywoman
22 Hyndman.

23 ASSEMBLYWOMAN HYNDMAN: Thank you,
24 Senator.

1 Mr. Sampson, thank you. You said two
2 things. You said that your membership -- how
3 many members do you have in your --

4 MR. SAMPSON: We represent over 400
5 members across the state.

6 ASSEMBLYWOMAN HYNDMAN: Four hundred
7 members. And you said most of your members
8 have employees that come from the five
9 boroughs. Do you have numbers that show
10 that?

11 MR. SAMPSON: So there's a -- there's
12 graphs in our testimony from the Construction
13 Workforce Project that demonstrates and shows
14 the demographics of the people on those
15 worksites.

16 ASSEMBLYWOMAN HYNDMAN: So this is
17 all -- your members represent nonunion labor?

18 MR. SAMPSON: So predominantly
19 nonunion labor, yes.

20 ASSEMBLYWOMAN HYNDMAN: Okay. All
21 right. And you don't know how long they
22 remain on these job sites? Like this number
23 is from how many years?

24 MR. SAMPSON: So this is a current

1 snapshot of about 134 projects.

2 ASSEMBLYWOMAN HYNDMAN: One hundred
3 thirty-four projects going on right now in
4 New York City.

5 MR. SAMPSON: Correct.

6 ASSEMBLYWOMAN HYNDMAN: Your members
7 employ thousands of MWBEs, you said, or
8 companies?

9 MR. SAMPSON: So -- so if you look at
10 those graphs, what they'll show is that over
11 90 percent of the workforce is either black
12 or Hispanic on those 134 projects.

13 ASSEMBLYWOMAN HYNDMAN: So you break
14 this down by women and then you break it down
15 also by black or Latino and Asian.

16 MR. SAMPSON: Yes. The turnstiles
17 that they utilize -- so when you go onto the
18 construction site, you have to use your
19 finger to get onto the construction site and
20 it tracks that information.

21 ASSEMBLYWOMAN HYNDMAN: Oh, you do?
22 Okay. All right, thank you.

23 CHAIRWOMAN KRUEGER: Okay, thank you.
24 Senator Diane Savino.

1 SENATOR SAVINO: Thank you,
2 Senator Krueger.

3 So I'm going to follow up on my
4 colleague in the Assembly's question line.
5 So let's go back. The prevailing wage law,
6 as you know, dates back to 1934. It was
7 adopted at one of the rare constitutional
8 conventions that we've ever had in this
9 state, and in fact it was overwhelmingly
10 voted on by the people because there was a
11 belief that government money going to private
12 employers should have some requirements on
13 it, one of them being the prevailing wage, so
14 that we are not driving down people into
15 poverty.

16 But you made a couple of points. You
17 said that your members are largely minority
18 contractors who represent minority
19 construction workers. Insinuating that the
20 union contractors and/or those who are under
21 the prevailing wage somehow don't have any
22 minority workers.

23 I would suggest that you take a look
24 at today's building trades. They are

1 overwhelmingly minority. Now they reflect
2 the -- in many respects, the immigrant
3 workforce.

4 But even if I accepted your assertion
5 that in fact they are minority contractors
6 with minority workers, are you suggesting
7 that minority workers in these minority
8 contractors should earn less than their white
9 counterparts in the unionized trades?

10 MR. SAMPSON: Absolutely not.

11 SENATOR SAVINO: Because that's what
12 you would be doing by rejecting the
13 prevailing wage.

14 MR. SAMPSON: Let me clarify. Our 400
15 contractors, what we're talking about is when
16 we look at their workforce and that turnstile
17 data, that's what the data tells us, that
18 they are employing -- more than 90 percent of
19 the workforce is black and Hispanic in New
20 York City.

21 SENATOR SAVINO: And they should earn
22 more money.

23 MR. SAMPSON: And I don't think
24 anybody is disagreeing with that. The

1 question that has to be answered is what will
2 the impact of expanding prevailing wage have
3 on private work.

4 We believe, based on examples in
5 Yonkers, in Ulster, in other parts of the
6 country, when you expand prevailing wage to
7 private work, you stifle that opportunity to
8 create that growth. If you're going to ask
9 me to pay 20 to 30 to 40 percent more, right,
10 to get my incentive, I'm simply not going to
11 do it. Again --

12 SENATOR SAVINO: With all due respect,
13 Mr. Sampson, you don't have to apply for the
14 incentives. If it's so burdensome or the
15 cost is too high, which is going to eat into
16 your profit -- and I get that. I understand
17 that. Nobody wants to pay for things that
18 they don't have to pay.

19 But it's public money. We're not
20 talking about in everything. You have the
21 right to decide whether or not you want to
22 negotiate with the building trades or not.
23 That's perfectly within your rights. But if
24 you're going to use our money, we have --

1 there's a public interest, an interest on the
2 part of the state, to see to it that money
3 does not go into salaries that are below the
4 prevailing rate. It's very simple.

5 So we're saying if it's burdensome,
6 don't apply for the incentives. But if
7 you're going to apply for the incentives, you
8 should be held to the same standard that the
9 voters in 1934 said, overwhelmingly, when
10 they adopted the prevailing wage law.

11 MR. SAMPSON: And we wouldn't disagree
12 with you. What we would say, though, is we
13 have to put so many incentives on the market
14 to incentivize job growth and job retention
15 because New York State is incredibly
16 expensive.

17 I think the other thing we would say
18 is if prevailing wage was adopted -- and it
19 was, through a convention -- then let's have
20 the state actually follow the law that it
21 adopted and say if you represent 30 percent
22 of the market, you can negotiate the
23 prevailing wage. But if you don't, you
24 shouldn't.

1 SENATOR SAVINO: That's fair.
2 Obviously the prevailing wage law has been
3 watered down over the years through a series
4 of regulations and judicial decisions, and
5 that's what the definition of prevailing rate
6 is trying to correct, so that we can go back
7 to the restoration of what the original
8 intent of the law was.

9 Thank you.

10 MR. SAMPSON: Sure. Thank you.

11 SENATOR SAVINO: Other than that, fine
12 testimony. I loved it all.

13 (Laughter.)

14 MR. SAMPSON: Thank you.

15 CHAIRWOMAN KRUEGER: All right. I
16 think there were not other Assembly, but --
17 Senator Helming.

18 SENATOR HELMING: Thank you,
19 Senator Krueger.

20 (Mic off.)

21 SENATOR HELMING: Stop the clock.

22 (Laughter.)

23 SENATOR HELMING: Testing, one, two,
24 three.

1 Ryan, Brian, thank you both for being
2 here and for your testimony today. I really
3 appreciate it.

4 MR. SAMPSON: Thank you.

5 SENATOR HELMING: Brian, you touched
6 on how there are so many pieces -- everything
7 from infrastructure needs to workforce
8 development -- that impact economic
9 development in our state. So I was glad to
10 hear your comments; I think they mimicked
11 what I opened up with earlier this morning.

12 But Brian, I wanted to touch a little
13 bit about -- are you aware of the Governor's
14 proposed cuts to the BOCES reimbursements?
15 For me, BOCES programs do a wonderful job.
16 They construct, if you will, this pipeline of
17 workforce-ready folks in the construction
18 trades, in all of our trades areas. So the
19 Governor has proposed a cut of just over
20 \$1 billion. Do you have any thoughts on
21 this?

22 MR. SAMPSON: So we're very supportive
23 of the BOCES program. We deliver curriculum
24 here, an NCCR curriculum, State Ed, DOL, DOB

1 approved. And we probably administer that
2 for about 40 BOCES across the state. So any
3 cut to the BOCES is going to have a dramatic
4 impact on the construction industry. I think
5 by and large both union and nonunion
6 contractors are getting a good majority of
7 their employees out of the BOCES.

8 SENATOR HELMING: Thank you.

9 MR. SILVA: I would just add that
10 based on my own personal experience working
11 with the Capital Region BOCES and the Questar
12 BOCES here, they do phenomenal work. We
13 should be supporting our BOCES programs as
14 much as humanly possible.

15 In fact, a partnership over 15 years
16 ago between those two led to the Tech Valley
17 High School which was created in the Capital
18 Region, which was one of the first
19 skills-based learning institutions that
20 really is working on those next generation of
21 skills. That's really a tremendous model
22 that we think could be replicated and
23 variations of it are being replicated in
24 Monroe County, down in New York City with

1 Per Scholas, and out in the Buffalo area with
2 Northland.

3 So we think any time that you're
4 investing in trades and skills is a good
5 thing and should continue.

6 SENATOR HELMING: Thank you.

7 CHAIRWOMAN WEINSTEIN: Thank you.
8 That's all the questions we have.

9 MR. SAMPSON: Thank you very much.

10 CHAIRWOMAN WEINSTEIN: So the next
11 panel is The Business Council of New York
12 State, Ken Pokalsky, and The Business Council
13 of Westchester, John Ravitz.

14 And as they come to the table, the
15 next few witnesses after this will be the
16 New York Association of Training and
17 Employment Professionals, followed by
18 New York Cannabis Growers and Processors
19 Association.

20 Feel free to begin, gentlemen.

21 CHAIRWOMAN KRUEGER: Good afternoon.

22 MR. RAVITZ: Good afternoon. And just
23 to be clear, do we get two and a half minutes
24 each or five?

1 CHAIRWOMAN KRUEGER: Five.

2 MR. RAVITZ: Great. So I'll try not
3 to talk too fast.

4 Senator Krueger, Assemblywoman
5 Weinstein, members of the State Legislature,
6 thank you for giving me the opportunity to
7 participate in today's hearing. My name is
8 John Ravitz. I'm the executive vice president
9 and chief operating officer for The Business
10 Council of Westchester. We're the county's
11 only business membership organization
12 focusing on economic development and advocacy
13 on behalf of the business community. We have
14 over a thousand members ranging from the
15 multi-international companies that call
16 Westchester home to all the hospitals and
17 universities, the biotech pioneers that are
18 leading the charge around the world in their
19 field, to professional service firms,
20 midsized and small businesses.

21 And we have 138 non-for-profits as
22 members. And our role for non-for-profits is
23 to remind folks that non-for-profits are
24 economic engines. They create jobs, they

1 bring in revenue as well as delivering the
2 essential services.

3 I want to touch on two points, one
4 you've already heard about today. But since
5 I'm here in front of you, one of our main
6 goals in our legislative agenda that we put
7 out each year -- and each of you will be
8 getting a copy of that next week -- is the
9 issue of accelerating the full gaming license
10 for Empire City Casino in Yonkers, New York.

11 Empire City Casino is a proven winner.
12 It already employs 1,200 folks on a daily
13 basis. It continues to bring in money for
14 the City of Yonkers, the county, as well as
15 the state in terms of education dollars.

16 The potential that we see at Yonkers
17 Empire City with a full gaming license is
18 going to be an incubator for workforce
19 development for decades and decades to come.
20 The new jobs that would be created, the new
21 opportunities that would be created in
22 different areas -- not just gaming, but in
23 hospitality and in security and in IT -- is
24 mind-boggling.

1 So as you continue to negotiate the
2 budget, we hope that you will look at that as
3 well, as something that is really imperative
4 that gets done this year and that will bring
5 in revenue to New York State, which we know
6 we all need.

7 Prevailing wage. We have been engaged
8 in this issue for many years. We have raised
9 our concerns, you'll see it in my testimony.
10 There are just a few things I would like to
11 put on the table today.

12 We're representing a coalition of
13 developers in Westchester County that really
14 have brought a renaissance to some of our
15 urban areas. The exciting projects that are
16 now happening in Mount Vernon, in
17 New Rochelle, in Yonkers, in Peekskill --
18 those are all projects that, again, are going
19 to have positive ramifications for decades
20 and decades. It's going to bring in new
21 revenue, it's going to create new jobs, it's
22 going to bring in a sense of real community
23 economic development that we haven't seen
24 before.

1 And so we're asking you to be very,
2 very conscious of some of the concerns that
3 you've heard today and will hear later on
4 about what the negative impact could be for
5 prevailing wage. We can't afford to turn
6 down developers who want to invest in these
7 communities by telling them that their jobs
8 and their projects could be a 30 to
9 50 percent increase in cost. It just won't
10 work. It's just not realistic. They will
11 not do what we want them to do.

12 And then who suffers at the end? The
13 construction jobs that could be created, the
14 other related businesses in those communities
15 that would definitely benefit from these new
16 developments, and the county and the state as
17 a whole.

18 Three points I'll raise, and then I'll
19 end.

20 Our developers have a very good
21 working relationship with our local unions.
22 They meet with them on a regular basis.
23 They've made it a priority to have a strong
24 line of communications and offer for them to

1 bid on those projects that are happening in
2 Westchester County. And secondly, they have
3 come up with some ideas that hopefully can
4 continue to be discussed, like a training
5 program that would be sustained through the
6 local IDAs so that future trade -- folks
7 getting into those trades would have all the
8 updated skills and training that they need to
9 be able to participate in the many projects
10 that are happening.

11 Second, as has already been raised
12 today, there was a model that we can look at
13 about how this cannot work, it sometimes
14 can't work. And that happened in the City of
15 Yonkers when the city imposed on their IDA a
16 prevailing wage. There were no projects that
17 went through the IDA during that course of
18 action.

19 And finally, we are developing a white
20 paper, an independent assessment, working
21 with some of our partners around the state,
22 that hopefully will give some clear
23 indicators of prevailing wage and the impact
24 it will have in communities throughout the

1 state. We're not just going to be focusing
2 on Westchester County in this paper, we're
3 working with our upstate partners and our
4 downstate partners so that you in the
5 Legislature over the next few weeks will be
6 able to see some hard numbers. And numbers
7 don't lie in this area.

8 And so, again, we will make sure that
9 you have this in time as you're deliberating
10 this for the next couple of weeks as you move
11 forward on this.

12 So again, enhancing full gaming
13 licenses for Empire City in Yonkers, giving
14 the ability for this organization to grow and
15 create jobs and bring in revenue for the
16 education system as well as for the rest of
17 the county and the state, and being concerned
18 about the impact that prevailing wage would
19 have.

20 Thank you.

21 CHAIRWOMAN WEINSTEIN: Thank you.

22 MR. POKALSKY: Good afternoon. My
23 name is Ken Pokalsky. I'm vice president of
24 The Business Council of New York State.

1 We're a statewide employer association
2 representing about 2400 private-sector
3 employers across the state in all sectors.
4 We're very diverse. And by our last count,
5 our members employ somewhere in the
6 neighborhood of 1 million New Yorkers.

7 So we have a lot of issues of interest
8 to us in the budget. This being the Economic
9 Development hearing, one of the things we'd
10 like to do today is focus not just or not
11 exclusively on economic development programs,
12 but on economic climate and how many issues
13 in the budget affect that climate negatively.

14 In our testimony we provide some data
15 that illustrates what's been alluded to
16 several times today. New York State overall,
17 compared to the nation, is doing very well
18 growing out of the 2008 recession. But
19 New York State is made up of different
20 regional economies. New York City has grown
21 private-sector jobs about 24 percent compared
22 to pre-recession levels; upstate, overall, is
23 about 3 percent. And there's pockets of
24 upstate New York, labor regions in upstate

1 New York that have fewer jobs today than in
2 2008.

3 I do a lot of traveling, we have
4 chamber members and business members across
5 New York. I was just in Buffalo and Utica,
6 I'm down in Livingston County tomorrow. And
7 what I hear from members is, one, while
8 they're fairly optimistic about the state of
9 the overall U.S. economy, they're
10 increasingly less optimistic about the
11 economic conditions of New York State in
12 their region, and also their future
13 prospects.

14 And more often than not, they're
15 talking about what I'll call state-imposed
16 headwinds -- requirements, mandates that,
17 regardless of the good intentions of the
18 sponsors, add to the cost of doing business,
19 making it difficult or more challenging to
20 maintain a workforce and a business in
21 New York State.

22 So those are the types of factors we
23 think this -- these committees -- and we talk
24 to Empire State Development about this as

1 well, that when we talk about economic
2 development, it's not just programs, it's the
3 overall business climate.

4 You've heard about prevailing wage
5 from a number of commentators already today,
6 so I'll skip that. It's obviously a major
7 concern to us. But it's not just an economic
8 development concern. We think the way that
9 prevailing wages are calculated and applied
10 in the state should be of broad interest,
11 because these apply to all public works
12 projects in a state that's really desperate
13 for increased spending on infrastructure.
14 This is a major factor in our ability to
15 meet, you know, broad-based public needs.

16 Some other things in the budget,
17 though, that apply to economic climate in the
18 state: Paid mandatory sick leave, unpaid for
19 the smallest of businesses and paid for
20 larger.

21 You heard earlier, in earlier
22 questioning, about the concern that small
23 businesses get bypassed by state economic
24 development incentive programs, but this is

1 the type of thing that every employer in the
2 state is going to have to deal with. And I
3 think if you look at small businesses in your
4 community, between changes over the last
5 several years on paid family leave and
6 harassment, whose requirements changed before
7 even the first year's implementation was
8 done, potential for new and perhaps complex
9 administrative requirements of paid sick
10 leave -- if the small businesses in your
11 community are even aware of some of these
12 changes, I know a lot of them aren't, they're
13 really frustrated in trying to keep up. They
14 typically don't have a full-time HR function
15 on staff, so.

16 And we don't concede that the state
17 will adopt mandatory sick leave, but if there
18 is a consideration, our advice is make it
19 very direct in scope, simple in
20 administration. I think this could be done
21 in one paragraph, compared to about a 20-page
22 worth of regulatory guidance issued under the
23 New York City law.

24 One other thing I want to talk

1 about -- again, broad-based business climate
2 impacts -- we applaud the inclusion of the
3 small business tax reform package in the
4 Governor's Executive Budget. As drafted,
5 it's fairly limited on the personal income
6 tax side, which most small businesses pay.
7 They're pass-through entities, they're not
8 incorporated.

9 It's limited to sole proprietors only,
10 and the proportional change, the proportional
11 reduction on the PIT side for small
12 businesses is actually about a third of
13 what's in this budget bill if you're a small
14 business C-corp. We think that should be
15 looked at.

16 In fact, in the fiscal 2017 Executive
17 Budget, the Executive Budget proposed and
18 actually both the Senate and the Assembly
19 one-house budget resolutions that passed each
20 house had a version of that 2017 far broader
21 small business tax cut in it. We think that
22 would be a good guide to a broader, more
23 useful tax reform for small business.

24 Beyond that, there's any number of

1 issues in the budget that impact the state
2 business climate. To the good, there's
3 increased funding for early college high
4 schools. To the bad, significant increases
5 in regulatory authority by DFS and the Public
6 Service Commission. And one of the biggest
7 issues out there, the potential for
8 significant increased assessments on
9 private-sector businesses who offer group
10 health plans to their employees.

11 So, again, broad-based business
12 climate's a real concern to us. We
13 appreciate any questions or comments you have
14 on our testimony. Thanks.

15 CHAIRWOMAN KRUEGER: Thank you.

16 We've been joined by Senator Shelley
17 Mayer. This is her first time today.

18 Senator Hoylman, it might be his first
19 time today.

20 SENATOR HOYLMAN: No.

21 CHAIRWOMAN KRUEGER: No? Never mind,
22 he came back.

23 And Senator Hoylman will be first to
24 ask questions.

1 SENATOR HOYLMAN: Thank you.

2 Just a question for Mr. Pokalsky from
3 The Business Council. I wanted just to -- in
4 your testimony you oppose -- well, it's hard
5 to see what you don't oppose. But you do
6 oppose expanded DFS authority, the Freshwater
7 Wetlands Program as it's currently written,
8 the "pink tax" that would prohibit
9 differential sale prices for consumer
10 products for women. The ban on polystyrene
11 containers and packaging. Sexual harassment
12 reporting by state contractors. The
13 Governor's legislative language on making
14 certain that the internet is free to and fair
15 to use users. Contributions by
16 foreign-controlled corporations. And any
17 restrictions on robocalls.

18 What do you support?

19 MR. POKALSKY: Well, first of all, we
20 think we have a pretty effective wetlands
21 program today. Those are the headlines, if
22 you will. If you look at the substance of
23 our testimony, we say we understand and we've
24 supported amendments and improvements to the

1 state's wetlands program.

2 One of the key features, though, in
3 the issue of certainty to both the regulated
4 community and the public, and actually public
5 employees who are implementing state laws,
6 what the language in the Executive Budget
7 does -- today, we map wetlands in the state
8 for a purpose. It demonstrates, it
9 determines what are regulated wetlands. And
10 in a --

11 SENATOR HOYLMAN: How is -- how is the
12 protection --

13 MR. POKALSKY: Above and beyond
14 that -- above and beyond that --

15 SENATOR HOYLMAN: How is the
16 protection of wetlands a general business
17 concern?

18 MR. POKALSKY: Oh, it comes up in
19 development projects all the time. And it
20 can be a major impediment or delay to
21 investment projects.

22 But the point is we have a program,
23 both DEC and the Army Corps of Engineers
24 regulates wetlands. We have a robust

1 program. But the way it's written today, you
2 have certainty. When you're going to look at
3 a parcel for development, you know what's
4 regulated, you know what's not. And under
5 existing regulations in New York State, DEC
6 can come out and say because of these special
7 factors in your site, we're going to expand
8 beyond what the current maps are.

9 Under this bill, the maps are
10 informational only. They have no force and
11 effect of law. So I'm going to work on a
12 project that I have no idea, from the onset,
13 what's developable and what's not, what I
14 have to do setbacks from.

15 And I don't know what the compelling
16 argument is to dispense with a program that
17 we think has worked well for 30 years. So I
18 urge you -- and I'll be happy to stop in.
19 For each of the items you cited there, we'll
20 talk about the details.

21 On the DFS regulatory authority
22 provision, for some unknown reason, DFS -- or
23 the budget language is proposing to strike
24 language that says DFS cannot regulate

1 financial institutions whose exclusive
2 regulation is under federal law. I don't
3 know that it's implementable. We don't even
4 understand what the purpose of language like
5 that is.

6 We understand and support the overall
7 purpose of what expanding DFS authority to
8 what are now unregulated entities and
9 unregulated types of transactions like payday
10 loans. But some of the language in there
11 goes way beyond what DFS -- what we
12 understand DFS's intent to be.

13 So each of these, we have, I think, a
14 very detailed, specific set of concerns about
15 how, again, intent may be good, but the way
16 it's being presented here and implemented, we
17 have real concerns about.

18 SENATOR HOYLMAN: Thank you. No, I
19 appreciate it. Thank you.

20 CHAIRWOMAN KRUEGER: Assembly.

21 CHAIRWOMAN WEINSTEIN: Assemblyman Ra.

22 ASSEMBLYMAN RA: Thank you, gentlemen,
23 for being here.

24 I just wanted to go back into where

1 you concluded your remarks, the small
2 business tax reform. And if you have any
3 numbers on, you know, the percentage of that
4 sector that is impacted by this proposal as
5 opposed to the stand-alone piece of
6 legislation that you mentioned or previous
7 Executive Budget proposals to help with small
8 business.

9 MR. POKALSKY: Yeah. I don't have it
10 with me, but -- and we're working on that.

11 One thing we know is the vast majority
12 of small businesses in the state are not C
13 corporations. So they're all -- most of them
14 pay their tax on their business profits on
15 the personal income tax.

16 So that, you know, 95 percent,
17 90 percent of small businesses -- a small
18 fraction would benefit under the benefit bill
19 as drafted, because it only applies to sole
20 proprietors. So partnerships, LLCs, sub-S's
21 would not be subject.

22 But we're -- it's hard to get the data
23 on the structure of taxpayers, because the
24 department doesn't report it that way.

1 That's something we're working on, to
2 illustrate the scope. The limited scope, I
3 should say.

4 ASSEMBLYMAN RA: And then the other
5 piece, obviously, we all know with regard to
6 our business climate, certainly it's its cost
7 in taxes, but in many ways it's also time and
8 regulations.

9 So any thoughts in that regard as to
10 whether there's anything in this budget or
11 what we should be doing going forward to
12 reduce some of those regulations that take up
13 time and resources from businesses?

14 MR. POKALSKY: They're not in the
15 budget, but there's other legislative
16 proposals pending. Like last year there was
17 a bill, we think it was a little narrower
18 than it could have been, to say if you're a
19 small business faced with a first-time
20 regulatory obligation, you make a minor
21 non-public health mistake in compliance, you
22 have a cure period before civil penalties are
23 imposed.

24 Legislation was passed that says

1 agencies, when adopting regulations with a
2 significant impact or broad impact on small
3 business, should issue small-business-
4 oriented compliance guidance, and we support
5 that.

6 Some other legislation pending before
7 both houses that speak to agencies taking a
8 little closer look when they're doing
9 regulations, as to what the impact is on
10 small business and how maybe alternative
11 compliance measures might be available to
12 them, just to companies that are -- would
13 have less wherewithal.

14 So we do think there's ways, short of
15 going back and repealing or modifying
16 underlying regulations, to make the process
17 work a little bit better.

18 ASSEMBLYMAN RA: Thank you.

19 CHAIRWOMAN KRUEGER: Thank you.

20 Senator Shelley Mayer.

21 SENATOR MAYER: Thank you,
22 Madam Chair.

23 Good afternoon, gentlemen. Nice to
24 see you. John, nice to see you.

1 I was pleased to see -- and I know
2 it's true -- The Business Council of
3 Westchester strongly supports expansion of
4 full gaming downstate as soon as possible,
5 like ideally this year. Is that correct?

6 MR. RAVITZ: Yes.

7 SENATOR MAYER: And I think you have
8 done an analysis of the economic benefit to
9 the region. If not yourself, maybe MGM has.
10 But I think it's pretty clear, and I look
11 forward to any documentation you have that
12 helps us in our argument that the sooner
13 these two licenses are given out, the better
14 it will be for Westchester and the downstate
15 suburbs.

16 MR. RAVITZ: A hundred percent,
17 Senator Mayer. It's really -- again, the
18 numbers don't lie. And the potential is one
19 that I think all of us should be very excited
20 about.

21 But let me take another tack in this
22 too, because I think it should all give you
23 hopefully some more confidence in looking to
24 enhance this full gaming license for Empire

1 City, which is now being owned by MGM Grand
2 International.

3 They have made a commitment to the
4 community. They have made a commitment to
5 the community to not just come in and say,
6 This is what we're building. They're going
7 block by block, sitting down with residents
8 and businesses to say, Talk to us about what
9 you would like to see. Talk to us about what
10 your concerns are if we were to expand, if we
11 were to create a hotel or a convention-type
12 center. How could we work with you to
13 actually participate in that and be able to
14 use these new facilities for your local
15 communities? That's the right way to do it.

16 SENATOR MAYER: No, I agree.

17 MR. SILVA: And so -- so I think
18 again, as you're deliberating this
19 accelerating of the full gaming licenses, the
20 confidence you should have in a corporate --
21 a corporation that gets it and understand
22 what it means to be a good corporate partner
23 in the community is one that we should all
24 celebrate.

1 SENATOR MAYER: No, I agree, it's a
2 very effective model. Other players should
3 adopt it.

4 You know we've had our disagreements
5 on prevailing wage. I understood you said
6 you're producing a report with documentation,
7 which I think you will agree, last year in
8 fact the side that opposed prevailing wage
9 was unable or unwilling or did not produce a
10 document that showed and demonstrated their
11 argument that this somehow would curb
12 economic development in the suburbs.

13 When do you think that will be
14 available, and who is participating in that?

15 MR. SILVA: We have -- the Weitzman
16 real estate consulting firm that does these
17 type of papers are doing the work for us.

18 We have business organizations from
19 around the state who are participating and
20 sharing data, because one of the things --
21 and you've been a champion of this, and
22 really pressing us -- is to give you real
23 numbers, to give you real data on what the
24 economic impact will be, not just in

1 Westchester but around the state.

2 And so we want to get that data, so
3 we've asked folks in these industries to
4 really dig in, give us these data so that the
5 Weitzman folks can really do their job and
6 come up with an independent assessment that
7 we can share with all of you.

8 SENATOR MAYER: And just -- I know I'm
9 over my time, but when will we expect that?

10 MR. RAVITZ: We were hoping that this
11 might not be in the budget, which gives them
12 a little more time. But we've told them we
13 really need to have at least top-line numbers
14 in the next three weeks.

15 SENATOR MAYER: Thank you.

16 CHAIRWOMAN KRUEGER: All right. We
17 have -- I'm sorry, I'm having a momentary
18 blank.

19 SENATOR BORRELLO: Senator Borrello.
20 It's my turn?

21 CHAIRWOMAN KRUEGER: Thank you, I
22 apologize.

23 SENATOR BORRELLO: I am still the new
24 guy, it's okay.

1 CHAIRWOMAN KRUEGER: Well, you're the
2 new guy. And also I was just going to point
3 out that other than a whimsy of history, it
4 might be John Ravitz who sat here for 12 days
5 in a row, instead of Liz Krueger.

6 MR. RAVITZ: Well, on behalf of my
7 family, I'm so glad you're sitting up there,
8 so --

9 (Laughter.)

10 CHAIRWOMAN KRUEGER: Just had to throw
11 that in. I'm sorry, George.

12 SENATOR BORRELLO: That's quite all
13 right. And thank you very much for your
14 marathon oversight of this -- of these
15 hearings. I can't imagine how difficult that
16 is.

17 Thank you both for being here. And
18 just as a business owner myself, you know, I
19 see the Governor's war on energy production
20 in New York State continues. And, you know,
21 my questions to you are what are you hearing
22 from your business leaders when it comes to
23 the CLCPA and the upcoming very aggressive
24 restrictions on carbon and energy production

1 and how that's going to impact businesses and
2 further stress business?

3 MR. RAVITZ: Well, I can just say for
4 Westchester County we're in that perfect
5 storm right now. We have Indian Point
6 closing in a year. We already have a gas
7 moratorium imposed on the southern part of
8 the county.

9 We're all for renewables, and we
10 support the renewable programs that are
11 there, but we're also asking the tough
12 questions of all of you, of the second floor,
13 of NYSERDA and the PSC, is are we going to be
14 ready. And so that's one of the things that
15 I think all businesses -- as we encourage
16 businesses to come to Westchester County to
17 grow, they're asking those questions. Are
18 their electric rates going to go up? Is
19 there going to be issues with being able to
20 have the power that they need to do their
21 day-to-day operations? There are a lot of
22 answers that we need, and the clock is
23 ticking.

24 SENATOR BORRELLO: Yeah, if the

1 question is are we going to be ready, the
2 answer is no, that's pretty obvious. So --

3 MR. RAVITZ: Then we need to have a
4 serious conversation and an honest
5 conversation on what that transition is going
6 to look like. And at The Business Council,
7 we're saying that that transition has to be
8 how we're going to continue to use gas in
9 some way, shape or form.

10 MR. POKALSKY: And the price of energy
11 going forward is a factor as well. And, you
12 know, I spend -- you know, we started out as
13 the State Manufacturing Association, still
14 have a core membership in the manufacturing
15 world, much of which is still fairly
16 energy-intensive as they're looking to make,
17 you know, capital investments with a five,
18 10, even longer pay-back period. Looking at,
19 you know, really -- and I know it's early, it
20 just passed, the implementation panel -- body
21 was just impaneled. A lot of uncertainty, a
22 lot of concern about what the future supply
23 and cost of both electric power and natural
24 gas is. You know, it's an issue out there.

1 SENATOR BORRELLO: Yeah, it's a big
2 issue. And, you know, part of the issue is
3 getting the power from where it's being
4 generated to where it is needed most, and
5 that's a huge issue, our aging and failing
6 electrical grid. You know, the Governor
7 wants to blanket upstate New York with
8 renewables, but there's no place for that
9 power to be transmitted down to New York City
10 where it's needed.

11 And by the way, upstate New York is
12 already 90 percent renewable to begin with
13 when you include hydroelectric power. It's
14 New York City that's only 30 percent
15 renewable. So you kind of need to produce
16 the power where it's needed, unless we're
17 going to spend a lot of money on upgrading
18 our grid, which we should.

19 So it's kind of a plan that's, you
20 know, aspirational, not realistic.

21 MR. RAVITZ: Well, the other thing
22 that we're going to need everybody's buy-in
23 for is -- because we support renewables, and
24 they're going to need the backup

1 infrastructure to support it. We can't even
2 get a town in Westchester County to support
3 an application for a solar farm because they
4 don't want it in where it's placed.

5 Those types of battles can't happen if
6 we're going to be where we need to be with
7 all the changes that are going to happen.

8 SENATOR BORRELLO: Agreed. Thank you.

9 CHAIRWOMAN KRUEGER: Thank you.

10 Any other?

11 Then we're going say thank you both
12 very much for being with us today --

13 MR. POKALSKY: Thank you.

14 MR. RAVITZ: Thank you very much.

15 CHAIRWOMAN KRUEGER: -- and set you
16 free.

17 Next up, we have individuals, so I'll
18 call them up. But then I'll tell you who's
19 up -- oh, I'm sorry, I thought someone was
20 trying to get my attention.

21 The New York Association of Training
22 and Employment Professionals, and then just
23 be close by, the New York Cannabis Growers
24 and Processors Association. And then to be

1 close by, Manufacturers Association of
2 Central New York.

3 Hi, there.

4 MS. MACK: Hi, how are you?

5 CHAIRWOMAN WEINSTEIN: One second.

6 Just before you begin, we've been joined by
7 Assemblywoman Dickens a little earlier.

8 Thank you.

9 CHAIRWOMAN KRUEGER: Thanks. Please.

10 MS. MACK: Hi. Good afternoon,
11 everyone. Thank you for welcoming me back.
12 I always seem to get to you right as you get
13 your cup of coffee and your doughnut, so I
14 think that that's probably a good sign.

15 My name is Melinda Mack. I run the
16 New York State Workforce Development
17 Association, also known as NYATEP, the
18 New York Association of Training and
19 Employment Professionals. Our members
20 include those who educate, train and employ
21 New Yorkers, which includes our community
22 college systems, our BOCES programs, many of
23 the community-based organizations and
24 programs that really fuel the economy of

1 New York.

2 Our members serve around a million
3 New Yorkers each year in education and job
4 training and employment services. And as
5 you've heard throughout the day today, much
6 of what we do is undergirding a lot of the
7 economic development investments that are
8 happening across the state.

9 So I'm also not going to read from my
10 testimony. I have a few key points I want to
11 direct to your attention. As you heard
12 throughout today, economic development is
13 workforce development and workforce
14 development is economic development. Yet
15 although talent is a primary category of site
16 selection at this moment in time, the funding
17 that we're getting to support education, job
18 training and employment pales in comparison
19 to the larger economic development
20 investments.

21 Growth is hindered statewide. There's
22 50,000 open jobs, and they remain unfilled
23 due to the lack of skilled talent.

24 As I said, the commensurate investment

1 is not there. And when we think about
2 education, job training and employment
3 services, they're really aimed at the
4 42 percent of New Yorkers that have a high
5 school diploma or less. Many of those
6 pathways that we typically discuss --
7 community college, four-year degrees,
8 high-tech positions, many of which the head
9 of ESD described earlier -- those are a hope
10 and a dream and lot of skill-based training
11 away for the vast majority of the people in
12 our state.

13 I also want to just raise for your
14 attention we also have heard a lot about
15 jobs. It seems to be the only metric we use
16 to measure workforce development. It's not
17 about good jobs, it's not about whether or
18 not they're good for New Yorkers or good for
19 neighborhoods, they're really just about
20 whether or not we have a job number.

21 That's a significant issue for us in
22 the field of workforce development. We
23 really need to be thinking about whether or
24 not these measures take into account employee

1 retention, advancement, wage growth and
2 employer investment in upskilling. Right now
3 our state primarily basically uses public
4 money to do workforce development and
5 investment. We hold very little through our
6 economic development investments accountable
7 to the employer to continue to upskill and
8 train their workers.

9 We also heard a bit today about
10 equitable economic development. And I just
11 would like to sort of take a minute to say
12 the workforce system is often thought about
13 at the very, very end or at the kickoff of a
14 project, not in the development or engagement
15 of a community benefit agreement or even in
16 the negotiation with an employer around what
17 their needs are going to be in terms of a
18 pipeline of skill development.

19 I think we need to have a much deeper
20 relationship and role with the economic
21 development system across the state. As you
22 heard Ryan share earlier, we work really
23 closely together to bring our memberships
24 together. But in reality, when it comes to

1 the big value, big-ticket-item projects like
2 Amazon, the workforce component is truly
3 often an afterthought.

4 And so when we're talking about equity
5 and inclusion, we're often asked to produce
6 out of thin air a significant number of
7 workers well after the fact that we would
8 have needed a window to train people with the
9 skills to be able to be successful.

10 I do want to point out a few things
11 that we've indicated in our testimony this
12 year that we think are important. We
13 strongly encourage that all the Regional
14 Economic Development Council processes
15 require that projects submit a regional
16 workforce development strategy or plan. So
17 if you have someone asking for state money,
18 that employer should also describe not just
19 the jobs they're creating but the wages,
20 their plans for retention, their turnover
21 rates, and more importantly, how they're
22 investing in their own workforce to make sure
23 they have the skills to compete.

24 As we shared before and I heard Ilana

1 describe it as well, the vast majority of
2 jobs in our state pay \$32,000 a year or less.
3 And so if we can't guarantee that folks are
4 getting upskilled within their employment,
5 we're really going to struggle to continue to
6 have the skills we need to be successful.

7 Two other items I wanted to indicate.
8 We strongly support removing any of the
9 unnecessary barriers for those who are
10 eligible to work in the United States to
11 access licensing. That should also extend to
12 the military professionals as well. So folks
13 who are coming home from service, we should
14 be able to recognize a paramedic who's a
15 veteran as a paramedic who is not a veteran.
16 We have an opportunity here to increase our
17 skilled workforce.

18 And then lastly, we indicated in our
19 State of the Workforce report many who are
20 low-skill or low-wage -- I should say
21 low-wage, not low-skill -- they often are
22 using unstable banking environments to be
23 able to support cashing their checks. And so
24 we very much support the Governor's approach

1 to the Excelsior Banking Network, to make
2 sure that more low-wage workers are able to
3 keep more of their income as they're sort of
4 cashing their checks and getting a leg up in
5 the workforce system.

6 So with that, I'll take your
7 questions.

8 CHAIRWOMAN KRUEGER: Thank you.
9 Senator Borrello.

10 SENATOR BORRELLO: Thank you.

11 First of all, thank you for being here
12 and giving your testimony. When I was county
13 executive in Chautauqua County, I went on a
14 crusade to visit 100 businesses in my first
15 100 days of office. And we got to 107 in
16 100 days. And the number-one concern --
17 number one actually was that they needed
18 people that could actually pass a drug test
19 and show up to work every day at the same
20 time, which was a challenge. And number two
21 was people that had the skills to fill those
22 open positions.

23 So one of the biggest concerns was
24 that when it comes to economic development

1 incentives, these businesses that would be,
2 you know, hypothetically coming to town to
3 create more jobs, puts more stress on the
4 skilled workforce that's already lacking.

5 So I agree with you that we need to
6 have a better focus on how we're addressing
7 that workforce issue. But from your
8 standpoint, when it comes to economic
9 development incentives that are truly judged
10 just on how many new jobs you create, isn't
11 that a bit myopic?

12 Shouldn't we be more focused on
13 ensuring that, number one, we have the proper
14 workforce development resources but, number
15 two, that we're actually ensuring that these
16 businesses can remain here, and resilient,
17 and one of the biggest stressors that they
18 have is workforce development? I'm just
19 curious.

20 MS. MACK: No, I completely agree with
21 you. And not only is it myopic, it's really
22 shortsighted, if we're going to go with the
23 ophthalmology terms, right?

24 We really have some significant issues

1 with how we think about skilled workers and
2 skilled labor. And Chautauqua County, in
3 fact, you have one of the best local
4 workforce boards in our state, and they've
5 really also recognized the need to support
6 small-to-midsized companies. It's really
7 difficult to train onesies and twosies at
8 small businesses, but it's also the place
9 where you get the biggest return on your
10 investment in a place like upstate New York.

11 But to your point, I think when we
12 think about the investments that are made,
13 for the vast majority of our state's 25-year
14 history, it's through tax credits. So you
15 have the work opportunity tax credit, you
16 have other small business tax credits -- very
17 little is actually spent on the actual
18 training and also the administration of those
19 training programs that are critically
20 important to help folks who have opioid
21 addiction issues or other issues be able to
22 access skilled employment.

23 SENATOR BORRELLO: So as a follow-up
24 to that exactly, you know, what challenges

1 are you hearing from the current funding
2 provided through the Governor's budget for
3 the workforce training initiative through the
4 CFA process?

5 MS. MACK: Sure. So as was discussed
6 before, the Governor has presented a
7 \$175 million training fund. As I shared at
8 the Human Services Committee, those dollars
9 have been very slow to flow. There's only
10 about \$3.4 million that have been released to
11 date.

12 I was just with an Industrial
13 Development Agency in Broome County
14 yesterday, and they described their
15 significant challenges to even filling out
16 the application and some of the rigor that's
17 been attached unnecessarily in terms of being
18 able to fill out or apply for the funding.

19 The other big challenge we have is the
20 flexible funding is pay-for-success dollars.
21 Those dollars, as we've heard throughout the
22 last couple of weeks of testimony, seem to be
23 given to everyone. And so the \$69 million
24 that was meant to be for workforce

1 development now is popping up in the
2 childcare discussion, in the healthcare
3 discussion. And in reality, they're not
4 flexible. DOB has designated them as pure
5 pay-for-success dollars.

6 SENATOR BORRELLO: So we need more
7 flexibility and we need them to obviously
8 allocate the money sooner than later, so we
9 can start moving forward on this.

10 MS. MACK: Absolutely.

11 SENATOR BORRELLO: Thank you.

12 MS. MACK: Thank you so much.

13 CHAIRWOMAN KRUEGER: Thank you.

14 Assembly?

15 All right, actually I do have a few
16 questions.

17 MS. MACK: Sure, great.

18 CHAIRWOMAN KRUEGER: Oh, did somebody
19 just say something? No, sorry.

20 Okay, I have a few questions. So the
21 Governor created this job creation, job
22 development funding stream 175 million, maybe
23 two years ago. This year he's talking about
24 220 million. Maybe you just want to get back

1 to me later, but did we spend that 175? Was
2 it really new, or did we just move deck
3 chairs on the Titanic?

4 MS. MACK: So we certainly moved
5 mostly deck chairs. So for the vast majority
6 of the resources, one bucket was dollars that
7 were already going to SUNY and CUNY that were
8 reallocated and brought back in to be put out
9 through a new process.

10 The second bucket was tax credits, as
11 well as some resources going out for wind
12 energy through NYSERDA.

13 And the last bucket was that
14 \$69 million for pay-for-success. Those were
15 unspent dollars that were intended to be
16 flexible to meet the needs that we've been
17 articulating from the field -- so if we have
18 training dollars and the problem is
19 childcare, we should be able to pay for the
20 childcare to get someone out of the training
21 and into employment as fast as possible.

22 We have not had that outcome. What
23 we've had is a strict designation of you have
24 to get employment only. So, for example, an

1 apprenticeship wouldn't be eligible under
2 these resources because an apprenticeship
3 program takes multiple years until you get to
4 employment, and this program has been
5 designated as a one-year program.

6 So it really is sort of -- it -- the
7 money is there, but it's been very difficult
8 for our field to spend.

9 SENATOR KRUEGER: I did a roundtable
10 down in New York City maybe two weeks ago
11 about older women and the issues they face,
12 and how every day I get women -- I'm going to
13 say 55 and up -- begging me to help them find
14 jobs, talking to me about how they got pushed
15 out of the economy too early.

16 But I also know -- because somebody
17 who was an employment specialist at the
18 roundtable pointed out -- there are
19 300,000 jobs looking for people in my city on
20 any given day.

21 These aren't necessarily people who
22 need a lot of job training. They've had a
23 whole career, perhaps, of jobs. What's your
24 advice on how we help -- and I'm not going to

1 say it's only women. That was the theme of
2 my roundtable -- but really age
3 discrimination and I think companies' desire
4 to push out the older, perhaps higher-paid
5 employee for someone else.

6 Do you have a recommendation on what
7 we can do about this? Because I think it's
8 ubiquitous and a really huge issue in our
9 society.

10 MS. MACK: It absolutely is.

11 And I know that Hunter College has
12 done a ton of work around supporting older
13 Americans; I'm happy to connect you with
14 folks there as well.

15 The biggest issue is that when we
16 often think about economic development, we're
17 only thinking about the business interests,
18 we're not actually thinking about who's
19 available in the labor market to do the work.

20 And so for me, I get a little
21 frustrated when I hear language around
22 employer needs. Well, what about the folks
23 who are in the labor market who need good or
24 better jobs, and how are we making sure that

1 they're accessing them? And that includes
2 older workers.

3 That being said, I think job training
4 and upskilling means lots of things to lots
5 of people. Right? And so the challenge with
6 workforce development, it runs from the gamut
7 from serving people with really low basic
8 skills and limited English all the way
9 through to folks who just need a four- or
10 six-week refresher course.

11 CHAIRWOMAN KRUEGER: Great. We should
12 talk more after our hearing.

13 MS. MACK: Yeah, happy to. Thank you.

14 CHAIRWOMAN KRUEGER: Thank you very
15 much.

16 All right, thank you for your
17 attendance today.

18 MS. MACK: Thank you so much.

19 CHAIRWOMAN KRUEGER: And our next
20 testifier is, ah, Cannabis Growers and
21 Processors Association. Are they here? Yes.
22 Okay, wasn't listening before. Come on down
23 if you think you're getting close to being
24 called up.

1 So Manufacturers Association, come on
2 down and get ready. Receivables Management
3 Association International, come on down and
4 get ready. And Associated Medical Schools of
5 New York.

6 CHAIRWOMAN WEINSTEIN: Nobody has
7 moved.

8 CHAIRWOMAN KRUEGER: They're not
9 listening.

10 CHAIRWOMAN WEINSTEIN: But he's here.

11 CHAIRWOMAN KRUEGER: I know. All
12 right, fine, thank you.

13 Hi. Please start.

14 MR. GANDELMAN: Hi. Good afternoon.
15 Thank you for having me here.

16 My name is Allan Gandelman, and I wear
17 many hats in the farming, hemp and cannabis
18 sphere. I own a certified organic vegetable
19 farm -- and have owned it for the past
20 10 years -- in Cortland, New York, called
21 Main Street Farms.

22 Three years ago we were licensed to
23 grow and process hemp for CBD, and we now
24 have a vertically integrated small business

1 with 40 employees and sell our CBD products
2 across New York State at farmers' markets and
3 large retailers.

4 Last year I founded and am the
5 president of the New York Cannabis Growers
6 and Processors Association, which represents
7 many of the 500-plus hemp farmers in New
8 York. Our mission, as an organization of
9 cannabis producers, processors and industry
10 partners, is committed to an economically
11 viable consumer-conscious cannabis industry
12 dedicated to the care and well-being of our
13 communities, our environment, and our
14 employees.

15 The association was formed to fill in
16 the gaps around farming, processing and, most
17 important, policy. The hemp and CBD industry
18 has been growing and changing so fast it has
19 been difficult for federal and state
20 regulators to keep up. We believe that our
21 industry is strongest when all of our small
22 and mid-scale family farms prosper.

23 Today I'm here to talk about the
24 potential positive and negative economic

1 development impacts that the Cannabis
2 Regulation and Taxation Act, the CRTA, will
3 have on family farms and small businesses
4 across the state.

5 Our association stands with the CRTA
6 as it seeks to create an industry rooted in
7 social and economic equity, with a thriving
8 and diverse supply chain that emphasizes
9 craft producers. Efforts such as restricting
10 vertical integration to only micro business
11 licenses, allowing on-premise consumption,
12 and granting social equity group status to
13 disadvantaged farmers are critical to our
14 mission of supporting agriculture and
15 entrepreneurs throughout the state.

16 However, the proposal also includes
17 some concerning provisions that are a
18 priority for us to address ahead of a vote.
19 One of them is the proposed tax rates
20 exceeding most other states that have
21 legalized thus far. Currently the tax on
22 cannabis is a dollar per gram of dry weight.
23 In contrast, California's tax is 35 cents per
24 gram.

1 This structure could stifle the growth
2 of small producers and create razor-thin
3 margins, allowing large operations a
4 competitive advantage while potentially
5 driving consumers to illicit market options
6 where similar products will be available at a
7 lower cost. Either we will need a lower tax
8 rate or a progressive tax, like in our craft
9 beer industry, where smaller producers pay a
10 lower rate.

11 For us to truly end prohibition, and
12 for the program to work from an economic
13 development perspective, we need to stamp out
14 the illicit market. In New York, we have the
15 luxury to look at other states as real-world
16 laboratories to see what has been successful.
17 From our lessons in Colorado, it's very clear
18 that the only way to stamp out the illicit
19 market and bring in tax revenue is to have a
20 low starting tax rate so consumers get used
21 to going to dispensaries. This low rate also
22 lets startup small businesses to get their
23 feet under them in a completely new industry.

24 As the industry develops, we need a

1 rate that can increase each year as the
2 market stabilizes and supply and demand are
3 matched. If we look at California, after
4 three years, their tax revenue is only a
5 third of expected. There's only 800
6 operating licenses, of the expected 6,000,
7 and 80 percent of the cannabis market remains
8 illicit.

9 When looking at the balance between
10 tax revenue and small business growth, our
11 position is that the tax revenue in the first
12 year or two of the program should only be
13 looked at as a means to stand up the program
14 and the Office of Cannabis Management. Our
15 goal as an association is to create a
16 thousand million-dollar companies instead of
17 one billion-dollar corporation.

18 Many studies have been done on
19 cannabis taxes and revenue as related to
20 economic development, and they have seen that
21 the true win comes in job creation, local
22 sales tax revenue from equipment dealers,
23 hard good suppliers, and services related to
24 cannabis, but not directly from cannabis.

1 Aside from taxes, the next piece that
2 directly affects the economic development is
3 licensing structure and canopy size. This
4 directly determines if New York farmers and
5 small businesses will be viable and
6 successful. By New York's own estimate, the
7 state will require 1 million pounds of
8 cannabis per year to meet demand.

9 As an example, a micro license with a
10 limit of a 5,000 square foot canopy can
11 produce between 500 and 1,000 pounds of
12 cannabis per year. With these production
13 numbers, we will need to give out 1,000 to
14 2,000 cultivation licenses.

15 The potential for incubating small
16 business is huge. Currently the CRTA does
17 not put a number on how many licenses of each
18 class will be given out, or the size of those
19 licenses. Our association would like to see
20 a baseline structure so we could estimate the
21 true economic development impact.

22 We currently have over 500 hemp
23 farmers in New York, many of them with the
24 existing infrastructure to meet the demand,

1 not to mention the thousands of other
2 operating farms. Prioritizing these farms
3 for cannabis cultivation licenses will help
4 meet New York's demand from day one, create a
5 steady and safe supply chain, and inject
6 millions of dollars into our upstate farming
7 communities.

8 CHAIRWOMAN KRUEGER: Thank you.
9 Senator Diane Savino.

10 SENATOR SAVINO: Thank you,
11 Senator Krueger.

12 Good afternoon. I had an opportunity
13 to meet with some of your colleagues
14 yesterday. So you guys are currently in the
15 hemp industry in New York State.

16 MR. GANDELMAN: That is correct.

17 SENATOR SAVINO: Right. And that's
18 the newly created hemp industry. And so one
19 of the challenges we're seeing with hemp, and
20 we have seen in other states with the
21 legalization of cannabis for adult use, is if
22 you don't do it correctly, you don't have
23 regulations that people understand and that
24 are easy to interpret, you wind up with two

1 competing markets -- the illicit market,
2 which is thriving in New York State right
3 now, and the legal one.

4 So if you go into neighborhoods you
5 see -- I actually saw a dispensary in Staten
6 Island labeled "CBD Dispensary," including
7 the little green, you know, symbol to make it
8 look like it was a pharmacy.

9 So there's almost no enforcement of
10 the regulations. And so are you at all
11 concerned, as we roll out hemp, that that
12 same environment will exist with respect to
13 marijuana?

14 MR. GANDELMAN: We're not concerned
15 about that if it's done correctly. And so
16 that's the part we're trying to get ahead of
17 right now. I mean, we promote having as many
18 dispensaries in as many neighborhoods as
19 possible so people have access, which is the
20 only way we'll get rid of the illicit market.

21 If there is only dispensaries in the
22 rich suburbs of the state, that will --

23 SENATOR SAVINO: They don't want them.

24 MR. GANDELMAN: And they don't even

1 want them, but the way the laws are
2 currently, that might be the only people that
3 could afford to purchase from a legal
4 dispensary, and everyone else will be stuck
5 in the illicit market. And that's just what
6 we don't want to see.

7 SENATOR SAVINO: I'm glad that -- I
8 think Senator Krueger's bill and the
9 Governor's new proposal specifically prevent
10 vertical integration. It was not a
11 requirement in the medical program; that was
12 done through the regulatory process, and it
13 has created all sorts of problems there.

14 But what I would hope that you guys do
15 is spend a lot of time talking to members of
16 the Legislature in both houses. Some of them
17 don't realize that people smoke marijuana in
18 New York State right now. It comes as a
19 shock to them.

20 (Laughter.)

21 SENATOR SAVINO: They don't realize
22 that it is as easy to get as ordering a
23 sandwich and, you know, anything off Amazon.
24 There are apps -- there are apps for the

1 illicit market. You can have anything
2 delivered to your house, and the illicit
3 market looks incredibly like the legal one.

4 So I would hope that you guys see your
5 role here as educators to members who don't
6 seem to really understand why it's important
7 that we get this done right and we don't
8 overtax it. Otherwise, we will wind up just
9 like California did, with a thriving illicit
10 market that makes more money than the legal
11 one.

12 MR. GANDELMAN: Right, correct. I
13 agree 100 percent.

14 And it's just the taxes, it's the
15 licensing structure, how many licenses there
16 are, who's allowed to participate in the
17 program and where those businesses operate.

18 So I think we have to look at it as a
19 holistic solution and not just like it's only
20 a tax issue or it's only a licensing issue.
21 But there's many, many pieces to this that we
22 would like to see worked out potentially in
23 the CRTA right now so we don't have to worry
24 about them being worked out later.

1 SENATOR SAVINO: I would encourage you
2 to read the MRTA as well.

3 MR. GANDELMAN: Yes, I have, many
4 times.

5 CHAIRWOMAN KRUEGER: Thank you.
6 Assembly?

7 CHAIRWOMAN WEINSTEIN: No.

8 CHAIRWOMAN KRUEGER: Senator Borrello.

9 SENATOR BORRELLO: Thank you again,
10 Madam Chairman.

11 And thank you for being here.

12 So if I'm hearing you correctly,
13 you're very concerned that New York State
14 might overregulate and overtax your industry?
15 Welcome to New York State.

16 (Laughter.)

17 MR. GANDELMAN: It seems to be the
18 theme of today, I guess.

19 SENATOR BORRELLO: Yeah. Yeah,
20 that -- so as a business owner, yeah, welcome
21 to the club.

22 So -- but my concern is this. You
23 basically -- I just want to make sure I got
24 this correct. And I agree with you that the

1 taxes that are being proposed are excessive.
2 And you mentioned the dry-weight tax of \$1
3 per gram versus California, 35 cents, and
4 that complicates things further.

5 But I think what I'm hearing you say
6 is you're suggesting that New York State only
7 set the rates so it generates enough revenue
8 merely to cover the cost of the
9 administration. There should be no tax
10 revenue for the state to go into the General
11 Fund beyond that, is that what you're
12 suggesting?

13 MR. GANDELMAN: I think that's what
14 we've been seeing when you're starting a
15 program like this, is not to look at it as a
16 huge tax revenue marker that you're using in
17 other places, but just to create a really
18 robust program.

19 Once it matures in, you know, two or
20 three years, then you slowly can increase the
21 taxes and now have tax revenue for the rest
22 of your state.

23 In states like Colorado, they actually
24 don't even spend their tax revenue from that

1 year, they hold on to it for a whole year to
2 wait because it's so unpredictable right now
3 that they don't want to all of a sudden have
4 a huge shortfall because they were relying on
5 cannabis taxes that next year aren't there.

6 SENATOR BORRELLO: Well, it is going
7 to be unpredictable because of that same
8 fact. Because, you know, we decriminalized
9 marijuana here, and I don't know how you tell
10 the difference between legal marijuana and
11 illegal marijuana.

12 And in all the other states that have
13 legalized it, the black market is booming.
14 And that's part of the challenge that we face
15 here in New York.

16 But also where I live, in Western New
17 York, we have several Native American
18 territories. They've all indicated that if
19 it's legalized here, they're going to sell
20 it.

21 So how do you propose that a legal
22 distribution, which is probably going to be
23 30 to 50 percent more than, say, the Seneca
24 Nation is selling it, how are they going to

1 be able to survive with that kind of distinct
2 economic difference?

3 MR. GANDELMAN: Well, it doesn't have
4 to be 30 to 50 percent more. And the way it
5 will be 30 to 50 percent more is if
6 automatically it is taxed more. Right?

7 SENATOR BORRELLO: So you're saying in
8 order for this to be viable, New York State
9 has to price this -- or has to tax this at a
10 point where we're not going to make any
11 additional net revenue to the budget. Is
12 that what you're saying?

13 MR. GANDELMAN: Correct. Yes. We
14 need to fund the program, which has a number
15 on it --

16 SENATOR BORRELLO: So we're going to
17 legalize marijuana, we're going to deal with
18 all the social issues, all of the law
19 enforcement issues, and make no money to help
20 cover those costs, so that your business can
21 thrive.

22 MR. GANDELMAN: Well, here's the
23 thing. You're already dealing with all the
24 social issues. People are driving all over

1 the place, they're driving to Massachusetts,
2 there's a huge illicit market.

3 From all studies that have -- from
4 other states, once they have legalized, they
5 have not seen tremendous increases like
6 projected here in New York on --

7 SENATOR BORRELLO: You're right.

8 MR. GANDELMAN: -- you know, from the
9 sheriff's departments and everything else.
10 So --

11 SENATOR BORRELLO: Well, the AAA just
12 came out with a report saying that there's a
13 70 percent increase in fatalities with people
14 having THC in their blood in the State of
15 Washington. So I would probably challenge
16 that.

17 MR. GANDELMAN: Well, THC stays in
18 your blood for 30 days, so I think we would
19 have to look at some more studies than just
20 that one.

21 But I think how -- all of the things
22 that we have that you think will be problems
23 with the legal market are currently problems
24 with an illegal market. And for the first

1 year or two, those taxes just need to hold up
2 the program.

3 After that, yes, there will be a lot
4 of tax revenue, just like in craft beer.
5 That's created over 20,000 jobs in New York
6 State. We can do the same thing for
7 cannabis, but instead we're not doing that.

8 CHAIRWOMAN KRUEGER: All right, I'm
9 going to cut this off.

10 SENATOR BORRELLO: Thank you.

11 CHAIRWOMAN KRUEGER: Although I'm
12 going to throw in my two cents, since I carry
13 a similar bill to the Governor's.

14 The gentleman's right, we do not want
15 to overtax any of these products, because we
16 want to close down the illegal market. And
17 if you overtax it, people will stay in the
18 illegal market where you don't know who
19 they're buying from or what they're buying.

20 As opposed to a legal product that's
21 licensed and is literally reviewed for safety
22 from seed to sale, so it's a better product
23 or mix of products to be selling.

24 The gentleman is also right that over

1 time, you can grow your prices as you've
2 established your industry, as with lots of
3 other new kinds of businesses that start. I
4 don't agree with him that there's no money
5 originally. We are looking at how each state
6 that has legalized already has moved forward,
7 avoiding their mistakes and hopefully coming
8 up with the I guess what I want to call the
9 sweet spot for pricing cannabis, so to speak.

10 And we can talk about -- not in the
11 hearing today, George, but I'll be happy to
12 give you more material than you will ever
13 want about cannabis, its safety or lack
14 thereof. It is not a perfect product, I
15 don't encourage people to use it. But it is
16 far, far safer medically, from a driving,
17 from any measurement, to alcohol. And we
18 seem to enjoy having legal alcohol in this
19 state.

20 So I want to thank you very much for
21 your testimony.

22 Did I cut off any Assemblymembers?
23 Okay. Thank you very much for being here.

24 MR. GANDELMAN: Thank you.

1 CHAIRWOMAN KRUEGER: All right, my
2 staff will get you immediately large
3 quantities of not marijuana, but material
4 about it.

5 (Laughter.)

6 CHAIRWOMAN KRUEGER: The Manufacturers
7 Association of Central New York. Hello.

8 MR. WOLKEN: Hello. Thanks for having
9 me today.

10 My name is Randy Wolken, I'm president
11 and CEO of MACNY, the Manufacturers
12 Association. And our trade association
13 represents over 300 members with over
14 55,000 employees in a 26-county region. I'm
15 also the president and CEO of the
16 Manufacturers Alliance, which represents
17 seven regional manufacturing associations
18 statewide with 2400 members.

19 We're dealing with increasing
20 challenges for our members because of the
21 competitive global environment, and they
22 continue to be forced or at least have to
23 consider shutting down and relocating either
24 overseas or to different parts of the country

1 because of incentive packages or lower
2 production costs, cheaper wages and lower
3 taxes.

4 But we continue to work with you here
5 in Albany to help lessen some of these
6 impacts and to allow manufacturers to thrive
7 here. Manufacturers want to be in New York
8 State, they truly want to do business here.

9 One of the most significant things
10 that you could do in the State of New York
11 right now would be to eliminate the corporate
12 franchise tax for all manufacturers. I want
13 to thank Assemblyman Stirpe and Senator
14 Kaplan for introducing legislation that would
15 do just this.

16 As you know, in 2014 the State
17 Legislature and the Governor enacted a zero
18 percent corporate franchise tax for
19 manufacturers who were C-corps -- these are
20 the large manufacturers -- and immediately we
21 were propelled into the top ten states in the
22 country for pro-manufacturing income-tax
23 climates.

24 We think and we believe it would do

1 the same for small and medium manufacturers.
2 In fact, that's the largest number of
3 manufacturers in the State of New York: Over
4 75 percent of manufacturers are of this type.

5 What this allows them to do is make
6 investments in things like inventory, capital
7 equipment, complex machinery, buildings,
8 research and development, as well as IT and
9 software.

10 And the C-corps right now have this
11 advantage to invest in these areas and grow
12 their businesses. We believe the small
13 businesses and medium-size manufacturers
14 should have the same benefit.

15 You know, there's this misconception
16 that these tax distributions will somehow
17 pass through to the owners. If that were the
18 case, C-corps would actually want to be
19 pass-through entities. That's actually not
20 the case. What small and medium
21 manufacturers pay in New York State is the
22 second-highest individual tax rate in the
23 country. So inadvertently, what we've done
24 is put these small and medium-size

1 manufacturers at a competitive disadvantage.

2 Also we've put them at risk to being
3 lured to other states. In fact, there's a
4 significant amount of pressure we're hearing
5 from companies to locate to other states.
6 Governors, economic development officials are
7 actually calling them aggressively and trying
8 to incentivize them to leave. Now, these are
9 locally owned manufacturers, and they have
10 strong ties to New York State. And we'd like
11 them to stay.

12 The Manufacturing Research Institute
13 of New York State commissioned a study to
14 look at analyzing the impact of extending the
15 zero corporate tax rate to small and medium
16 manufacturers. The Beacon Hill Institute in
17 2019 found that if you did this, you could
18 increase private-sector jobs by more than
19 5,000 in the first year, and over 6200 by
20 2024. You'd see a rise in investment of
21 \$150 million by 2024, real disposable income
22 would increase by \$365 million in 2020 and
23 surge by \$524 million by 2024.

24 You'd make a solid investment in our

1 economic future, and that would cause more
2 jobs, more investment. And you'd send a
3 strong message to manufacturers that the
4 current manufacturing community is valued and
5 that you want them to be here, and you'd
6 actually put us on an even keel for being a
7 major competitor in the international space.
8 This would make a very positive impact for
9 existing companies and make us even more
10 attractive to manufacturers.

11 So I'll stop there. And I thank you
12 for your ongoing support of manufacturers,
13 and I'll take your questions.

14 CHAIRWOMAN KRUEGER: Thank you.
15 Senator Borrello.

16 SENATOR BORRELLO: Thank you again.
17 Thank you for being here and giving
18 this testimony.

19 So manufacturing, where I'm from in
20 Chautauqua County, is still very strong. And
21 the challenge is workforce. So I understand,
22 you know, the impact -- you're saying we can
23 create more jobs. But, you know, we have to
24 fill the jobs that we have right now, and

1 that's really the challenge.

2 And I'm just wondering, you know, what
3 the Manufacturers Association is doing to
4 kind of, you know, support the idea of being
5 able to return the skilled workforce that we
6 need in order to support those manufacturers.

7 MR. WOLKEN: So a favorable tax
8 climate obviously helps support existing
9 jobs, to include these jobs that are open as
10 well as create future jobs. It makes us
11 competitive.

12 In terms of a talented workforce, we
13 actually have, through the Manufacturers
14 Alliance and MACNY, a really robust
15 apprenticeship program which now has expanded
16 statewide to hundreds of companies. Dozens
17 of career pathways are being created. In our
18 community alone, over 50 companies have done
19 it with close to 200 new apprentices being
20 created.

21 So we think the "earn and learn"
22 approach is one of the best approaches.
23 Start with an existing employee, while you're
24 earning, and continue to expand over the next

1 three years. You'll go from entry-level wage
2 to \$25 to \$30 an hour, with benefits. In our
3 communities, such as yours and ours in
4 Central New York, it's the highest-paying
5 jobs.

6 So we believe the earn-and-learn
7 approach is probably the best, and we're
8 actively engaged in doing that statewide.

9 SENATOR BORRELLO: And there's
10 really -- then there's no debt, either,
11 associated with that learning process.

12 MR. WOLKEN: No. No, it's the best
13 way, actually, to learn and earn.

14 SENATOR BORRELLO: I agree. And, you
15 know, in our region most of the small
16 entrepreneurs who are manufacturers, in that
17 industry, are folks that started out with
18 those type of programs and then went on to
19 own their own business or buy the business
20 that they're working for. So if you wanted
21 to be a small business owner, getting into
22 the skilled trades is probably one of the
23 best ways in upstate New York.

24 MR. WOLKEN: It really is the

1 post-high school approach to really earning,
2 learning and not having a significant debt.
3 And there are literally thousands of job
4 openings, everything from welders to
5 mechanical techs, that we absolutely have to
6 have to be viable.

7 SENATOR BORRELLO: Yeah, I mean, I've
8 said that before, if we had a hundred welders
9 tomorrow, we could have a hundred jobs for
10 them tomorrow.

11 MR. WOLKEN: Absolutely.

12 SENATOR BORRELLO: And that's the
13 absolute challenge that we face. And with
14 every other difficult climate in New York
15 State, if we could solve the workforce
16 problem here, that would probably overcome a
17 lot of those other challenges of doing
18 business in New York State.

19 MR. WOLKEN: Absolutely, it would help
20 tremendously for our members and so many
21 throughout upstate.

22 SENATOR BORRELLO: Thank you.

23 CHAIRWOMAN KRUEGER: Thank you.
24 Assembly.

1 CHAIRWOMAN WEINSTEIN: Thank you.

2 Assemblyman Stirpe.

3 ASSEMBLYMAN STIRPE: Hi, Randy, how
4 you doing?

5 MR. WOLKEN: Good seeing you.

6 ASSEMBLYMAN STIRPE: You know, we've
7 worked together on a lot of things over the
8 years. And I remember back in I think 2013
9 doing a survey, and as everybody has talked
10 about, the number-one issue was workforce and
11 not finding people.

12 I'm just wondering if you feel that
13 the attitude of the employers has changed at
14 all over the years. Because when we first
15 started looking into this and you had said,
16 Well, what kind of a worker do you want, of
17 course they wanted a 15-year experienced, you
18 know -- you talk to them a little bit longer
19 and they want a unicorn, basically. And they
20 expected you to just deliver that to them.

21 I remember years ago, like at General
22 Electric and places, they'd give you \$500 if
23 you found your cousin and would go to work
24 and then they would train them.

1 Have companies realized that they have
2 a responsibility in the training area also,
3 and not really expecting government to solve
4 every problem that they have?

5 MR. WOLKEN: Well, I think that the
6 success of the apprenticeship program is
7 justification and speaks to this. I mean,
8 they're willing to hire and train through an
9 apprenticeship approach, which actually is
10 great for everybody. The individual ends up
11 being an approved apprentice, a registered
12 apprentice, they can use that whatever they
13 need to go, it makes them more viable.

14 Our experience in standing up this
15 program in about 18 months would suggest that
16 it's real and that employers now know they
17 have to get engaged.

18 I'd also say a lot of our members are
19 getting engaged now at the high school level
20 and even the middle school level. We have
21 hundreds of companies in our region, as you
22 know, that are actively engaged in showing
23 people what those jobs are like for the
24 future, and that changes people's

1 perceptions.

2 Specifically at home, oftentimes
3 parents will say, you know, I don't want my
4 child to be necessarily a welder -- which is
5 a fantastic job, by the way. So I think the
6 opportunity to both educate and learn at the
7 business side, we've been actively engaged
8 in. And I agree with you that the whole
9 attitude's changed. They have to invest, and
10 they see it.

11 ASSEMBLYMAN STIRPE: You know, the
12 other thing, as I've gone around the state
13 hosting small business roundtables and
14 talking to people -- you know, it's been
15 spoken about earlier, transportation and
16 childcare are like big issues that -- we have
17 low unemployment, we need to draw more people
18 into the workforce, and the only way we're
19 going to do that is somehow get women to go
20 into maybe some of the nontraditional jobs in
21 manufacturing and construction and things
22 like that.

23 And I know that you're also working
24 with Early Childhood Alliance and those

1 people. Are you seeing much progress being
2 made?

3 MR. WOLKEN: I'm seeing a basic level
4 of general awareness now that we need to
5 invest in childcare, figure out ways to solve
6 that at a community level. I think you're
7 right there, that and transportation are
8 probably the two main barriers that we have
9 to solve. And I know the latest round in our
10 region, funding some transportation solutions
11 will help, I think, in a meaningful way.

12 But we do have to address them, and
13 it's critically important that New York State
14 be a partner in doing that. We have to
15 create a better market. Those are
16 lower-paying jobs in childcare.

17 In fact, we're introducing in our
18 region at least a look at creating
19 apprenticeship pathways in that space
20 because, quite frankly, the pay is too low to
21 keep quality childcare workers in the space.
22 So we're going to have to come up with some
23 innovative solutions.

24 But you're right, those are two big

1 problems.

2 CHAIRWOMAN WEINSTEIN: Thank you.

3 ASSEMBLYMAN STIRPE: Thank you.

4 CHAIRWOMAN WEINSTEIN: Assemblyman Ra.

5 ASSEMBLYMAN RA: Thank you very much
6 for being here today.

7 So the study about eliminating the
8 franchise tax for the small and medium-size
9 manufacturers, those numbers are in New York
10 State?

11 MR. WOLKEN: Yes. We actually have
12 them broken down by county and the number of
13 employees and by businesses. And this would
14 affect the entire state. It would be an
15 immediate shot in the arm, we believe, to
16 manufacturers throughout the State of New
17 York.

18 ASSEMBLYMAN RA: Great. Because I
19 know, you know, over recent years there has
20 been an increase I believe of about a million
21 manufacturing jobs nationwide, but we've lost
22 manufacturing jobs in New York. So obviously
23 that would be a very clear way to reverse
24 that trend.

1 Are there other things that you can
2 recommend that would also help, along with
3 the tax structure?

4 MR. WOLKEN: Yeah. The reason why we
5 think tax structure is a good place, it
6 levels the playing field for everybody. You
7 don't have to apply for a program, you're a
8 part of that.

9 Beyond that, we've talked about
10 workforce. Not having enough people to fill
11 open positions is a significant challenge.
12 That in and of itself could expand production
13 and actually allow growth.

14 I think we have to be concerned about
15 any kind of legislation and/or requirements
16 that make a larger burden on businesses. So
17 we should be looking, you know, intelligently
18 at our implementation. Sometimes even the
19 best-laid programs end up causing us
20 significant heartburn at the manufacturing
21 level because it's quite frankly competitive
22 internationally.

23 So I think looking at the business
24 climate will always help. Training is

1 absolutely critical. And then of course
2 we've seen the impact of changing the tax
3 rate for C-corps; we need to do that for
4 small and medium manufacturers.

5 ASSEMBLYMAN RA: Great. Thank you.

6 MR. WOLKEN: Sure. Thank you.

7 CHAIRWOMAN KRUEGER: Thank you very
8 much for your attendance today. We
9 appreciate it.

10 MR. WOLKEN: Thank you.

11 CHAIRWOMAN KRUEGER: Thank you.

12 All right, our next participant is
13 Donald Maurice, outside counsel, Receivables
14 Management Association International. No
15 doubt I'll learn what that is.

16 MR. MAURICE: Good afternoon.

17 Chairpersons Krueger and Weinstein and
18 distinguished members, it is an honor to
19 address you this afternoon.

20 My name is Don Maurice, and I am
21 outside counsel to the Receivables Management
22 Association International, also known as
23 RMAI. It's a nonprofit trade association
24 representing over 550 companies that purchase

1 or support the purchase, sale, and collection
2 of performing and nonperforming receivables
3 on the secondary market.

4 RMAI fully supports licensure of debt
5 collectors as is proposed by the Governor's
6 budget bill. Licensure protects consumers
7 and creates significant barriers to bad
8 actors.

9 While much contained in the Governor's
10 budget proposal is consistent with licensing
11 requirements designed to protect consumers,
12 it contains several provisions that are
13 highly problematic and harmful to consumers.
14 Let me explain how this occurs.

15 As proposed, debt collectors would be
16 limited to two communications with a consumer
17 in a seven-day period. When commencing
18 communications with a consumer for the first
19 time, debt collectors typically make two
20 collection contacts in the first seven days.
21 Usually this consists of a telephone call
22 followed by a letter.

23 Under the proposed restriction, if the
24 consumer calls the collector in response to

1 either communication within that seven-day
2 period, the debt collector is prohibited from
3 communicating with the consumer.

4 Imagine a consumer who is facing the
5 repossession of her automobile. She has
6 already received a letter from a debt
7 collector stating that an immediate payment
8 is required to avoid repossession. And she
9 notes, when looking at the caller I.D. on her
10 telephone, that the same collector has
11 already called but that call was not
12 answered. Concerned and wanting to avoid
13 repossession, she immediately calls the debt
14 collector in the hope of working out a lower
15 payment. This bill would prohibit the debt
16 collector from answering that call.

17 The letter and unanswered call
18 mentioned in my example are the totality of
19 communications that are permitted within the
20 proposed seven-day cap. No other
21 communication is permissible, absent the
22 consumer's prior written consent or a court
23 order. The result does not bode well for our
24 hypothetical consumer. We see no reason why

1 honest, hardworking consumers should suffer
2 such harsh results.

3 Consumers seeking to resolve their
4 delinquent accounts to avoid embarrassing
5 judicial and nonjudicial collection efforts
6 should not be hamstrung from communicating
7 with their creditor's agents.

8 The second provision of the budget
9 proposal that we're concerned with is
10 electronic communications. And it's almost a
11 total restriction on electronic
12 communications between debt collectors and
13 consumers.

14 Let me start with this. Electronic
15 communications benefit the disabled, persons
16 for whom English is a second language, and
17 afford consumers greater control when
18 interacting with debt collectors. But the
19 proposal provides that these electronic
20 communications can only occur when the
21 consumer has given his or her prior written
22 consent directly to the debt collector. Even
23 if that consent was given to the creditor on
24 whose behalf the debt collector is acting,

1 the communication is not possible.

2 But to be sure, these electronic
3 communications mean far more to those
4 challenged by physical disabilities. For the
5 physically disabled, a trip to a mailbox can
6 be difficult. And for the visually impaired,
7 electronic communications make communications
8 more accessible and less costly. For
9 example, consumers suffering from visual
10 disabilities can use any widely available
11 email program to convert text to speech. And
12 if English is not the consumer's primary
13 language, electronic communications can be
14 easily converted to any language.

15 The proposed law relegates
16 communications to those common in the early
17 20th century. We know that communication
18 technologies have changed, and we also know,
19 as I pointed out in my written testimony,
20 that consumers prefer electronic
21 communications to phone calls and letters
22 because of that control. And aside from this
23 immediate harm, we also know that we are
24 concerned that these technology barriers may

1 deny New Yorkers from future innovative
2 technologies.

3 We know these issues can be resolved,
4 and we are ready to work with you and all
5 stakeholders to correct them and achieve the
6 bill's intended result.

7 Thank you for your time.

8 CHAIRWOMAN WEINSTEIN: Thank you. We
9 have no questions. We have your written
10 testimony; we have no questions at this time.
11 Thank you for being here today.

12 MR. MAURICE: Thank you.

13 CHAIRWOMAN WEINSTEIN: Next we hear
14 from Jonathan Teyan, Associated Medical
15 Schools of New York. And he will be followed
16 by a panel of the Motion Picture Editors
17 Guild, Louis Bertini, and Theatrical
18 Teamsters Local 17, Thomas O'Donnell.

19 Please begin.

20 MR. TEYAN: Thank you, Chairwoman
21 Weinstein. And good afternoon to all the
22 distinguished members.

23 My name is Jonathan Teyan. I'm the
24 chief operating officer of the Associated

1 Medical Schools of New York. AMSNY is the
2 consortium of the 17 medical schools in the
3 state. We have more medical schools than any
4 other state in the nation. We educate more
5 physicians, we train more medical residents.

6 When most people, I think, think of
7 medical schools, they tend to think of
8 educating physicians and providing clinical
9 care. I actually want to talk a little bit
10 today about the third leg of the stool, which
11 is biomedical research and the importance of
12 state investment in life sciences to spur
13 further growth of our bioscience sector.

14 Just to give a bit of context, by far
15 the largest funder of biomedical research,
16 particularly basic science research, in the
17 U.S. is the National Institutes of Health.
18 New York is the third-ranked recipient of NIH
19 funding. In 2019, \$2.9 billion flowed into
20 New York in NIH funding. Sixty-seven percent
21 of that went to the medical schools.

22 We've actually, fortunately, seen an
23 uptick in the total NIH budget in the last
24 five years, but for more than a dozen years

1 prior to that, NIH funding had been
2 absolutely flat. And when you adjust that
3 trend for inflation, we actually saw that
4 there was a 25 percent decline in the
5 purchasing power of an NIH dollar. And in
6 that vacuum, many other states stepped in and
7 started very large-scale investments in their
8 own bioscience sectors.

9 As an example -- several examples,
10 actually -- California launched a \$3 billion
11 STEM cell program. Texas launched a
12 \$3 billion cancer program -- in fact, Texas
13 just authorized an additional \$3 billion
14 investment in that. Massachusetts invested a
15 billion and a half in life sciences. We've
16 seen this around the country, that there are
17 very large investments over the long term to
18 grow the bioscience sectors in each of those
19 states.

20 One of the consequences of that is
21 that the competition for scientists became
22 quite overheated. And New York in
23 particular, because we have some of the best
24 academic research institutions in the

1 country -- in fact, in the world -- we became
2 where many of those states came to to go
3 shopping, go shopping for scientists. And in
4 the first few years after Texas launched its
5 multi-billion-dollar cancer program, we lost
6 more than a dozen scientists because we were
7 unable to match the sorts of offers that
8 Texas institutions could make.

9 And so what we had proposed and what
10 the Legislature and the Governor wisely
11 recognized was that the state should support
12 the recruitment and retention of world-class
13 scientific talent in New York. And this took
14 the form of a \$20 million appropriation that
15 was part of the larger \$620 million life
16 sciences initiative.

17 This \$20 million is for a program
18 called NYFIRST, and what it does is it
19 provides up to a million dollars for a
20 medical school to recruit or retain, you
21 know, the very best star scientists. And
22 we've actually seen that this has proven much
23 more effective than we even anticipated.

24 So this program was launched in 2017.

1 The first round of funding was made in 2018.
2 We had three awardees, one at the University
3 of Rochester, Columbia University, and
4 Mt. Sinai School of Medicine.

5 When those recruits were brought into
6 the state, they brought with them labs that
7 function effectively as small businesses
8 within the medical schools. Each of these
9 labs employs at least eight to 10 people.

10 And in fact, in this first round we've
11 seen that just in the first year, those three
12 labs have created 40 jobs. We anticipate
13 that they will create 100 jobs in the first
14 three years of the program. And in addition
15 to that, they have brought in \$16.5 million
16 in additional outside funding.

17 And so what we are looking for and
18 hoping that you will support is, firstly, the
19 reappropriation of the unspent funds for the
20 NYFIRST program in the current budget and a
21 new appropriation of \$20 million so that we
22 can keep our institutions competitive for the
23 very best scientists in the world.

24 Thank you. Thank you for the

1 opportunity to testify.

2 CHAIRWOMAN WEINSTEIN: Thank you.

3 We have a question from Assemblywoman
4 Hyndman.

5 ASSEMBLYWOMAN HYNDMAN: Hi, Jonathan.
6 Good to see you.

7 Two quick questions. You're saying
8 that we have 17 medical schools in the State
9 of New York, but we're recruiting individuals
10 from outside the State of New York. How many
11 of our medical schools are growing these
12 scientists and keeping them in the State of
13 New York and not losing them to California
14 and Texas, is my question.

15 MR. TEYAN: So this program actually
16 would do both, and in fact is doing both.

17 So the idea is that we both want to be
18 able to recruit scientists, you know,
19 regardless of where they're from, and we also
20 want to develop our home-grown scientists.

21 But at the same time, we have had many
22 scientists at the medical schools who have
23 had offers from outside New York, and we
24 would like to prevent them from leaving, if

1 we can, if we can match the offer. And so
2 the NYFIRST program does that. We actually
3 can apply for funds through the program so if
4 there's a bona fide offer from an institution
5 outside of New York, we can try to make a
6 counteroffer and keep them here using state
7 funds to help that.

8 ASSEMBLYWOMAN HYNDMAN: So do you
9 break down the number of women that are in
10 biomedical sciences, that become scientists?
11 Do you break down the number of women,
12 minorities, black, Latino?

13 MR. TEYAN: It's an excellent
14 question. And this program doesn't require
15 that and doesn't do that. It is a very large
16 focus of our organization and of the medical
17 schools.

18 I will say that in the first round of
19 funding there were three scientists brought
20 in. One of them is a woman who is just a
21 leader in her field, cancer genomics.

22 And we actually are very focused,
23 through other programs, on developing
24 underrepresented folks coming into the

1 sciences. We think that's really important
2 both for the composition of the workforce but
3 also to help drive the science into the
4 places that it needs to go.

5 And so this program doesn't address
6 that specifically, but the medical
7 schools are very much committed to addressing
8 that.

9 ASSEMBLYWOMAN HYNDMAN: Okay. Thank
10 you.

11 MR. TEYAN: You're welcome.

12 CHAIRWOMAN WEINSTEIN: Thank you.
13 There are no other questions.

14 MR. TEYAN: Thank you.

15 CHAIRWOMAN WEINSTEIN: So next, as I
16 mentioned, we have Motion Picture Editors
17 Guild and Theatrical Teamsters Local 817, to
18 be followed by Protect the Adirondacks, to be
19 followed by Reinvent Albany.

20 MR. O'DONNELL: Good afternoon,
21 Chairwoman Weinstein and distinguished
22 members of the Senate Finance Committee and
23 the Assembly Ways and Means Committee. My
24 name is Tom O'Donnell. I am president of

1 Theatrical Teamsters Local 817. In addition
2 to Local 817, I also present this testimony
3 on behalf of the entire film community and
4 labor community.

5 Thank you for the opportunity to
6 describe the unparalleled success of the
7 Empire State Film Production Tax Credit and
8 for your long-term support of this
9 manufacturing industry, the manufacturing of
10 content.

11 In the 2020 legislative session the
12 union's top priority is ensuring the
13 continuity and stability of the tax credit.
14 We testify today in support of including a
15 five-year extension of the program in the
16 State Budget. Additionally, we also testify
17 in support of revising the minimum spend
18 requirements in furtherance of the Governor's
19 objective to improve the efficiency and
20 sustainability of the state's program.

21 In 2017 alone, New York saw
22 \$3.9 billion in local spending, a fivefold
23 increase from 2004. Jobs have shot up
24 55 percent since 2004, compared to 24 percent

1 nationally, and growing at a rate four and a
2 half times faster than the overall state
3 economy. The credit supports 48,300 and
4 \$6.7 billion in economic activity across the
5 state, in addition to countless non-qualified
6 activities supported by the critical mass of
7 local talent and infrastructure that the
8 credit has enabled.

9 The average annual wage for workers in
10 these credit-supported jobs is approximately
11 \$90,000, and the state saw approximately
12 \$780 million in fiscal revenues earned from
13 qualified productions in 2017.

14 This tax credit is first and foremost
15 a union program. We fight to ensure high
16 wages, full benefits and robust protections
17 for the growing number of workers in the
18 industry. Local 817 alone has seen an
19 increase of 250 percent in membership, with
20 an increase in wages and benefit
21 contributions from \$70 million to
22 \$380 million. And the Teamsters are just a
23 sliver of this employment pie.

24 With increased demand for labor, we

1 can now point to the many new pathways to
2 opportunities provided regardless of race,
3 gender, or educational attainment.

4 The unions have invested millions of
5 dollars, engaged in comprehensive outreach,
6 and proposed legislation to continue
7 diversifying the industry's talent pipeline
8 in both above-the-line and below-the-line
9 jobs, 44 percent of which do not require a
10 four-year college degree.

11 One out of every three jobs added to
12 our new sector is created in New York,
13 representing 18.3 percent of the national
14 share. We're in a golden age of television
15 production, hosting a record number of
16 episodic series in 2017, with 91 series and
17 pilots were supported by this tax credit.

18 A long-term extension of the tax
19 credit incentive is critical for episodic
20 television, which relies heavily on the
21 budgeting predictability that a stable tax
22 credit program affords.

23 This is a global competition, and the
24 argument that New York will always have its

1 fair share of film work due to its locations
2 and creative appeal is a fallacy. A
3 production does not have to be physically
4 present in New York to film a New York story.

5 The currently proposed one-year
6 extension, coupled with the reduction of the
7 rebate percentage, will heighten concern and
8 weaken confidence in the program. New York
9 needs to show its commitment to our industry
10 by extending the program an additional five
11 years.

12 That is not to say that proposed
13 reforms weaken the program. In contrast,
14 they acknowledge New York's success and the
15 state's determination to ensure a
16 well-calibrated program into the future. One
17 of these proposals includes requiring a
18 minimum spend of \$1 million on downstate
19 projects and a minimum spend of \$250,000 on
20 upstate projects in order to access the
21 credit. After careful consideration, we
22 unions collectively recommend that downstate
23 projects must instead spend \$1.5 million for
24 eligibility and that upstate projects must

1 spend \$1 million.

2 In addition to increased savings, the
3 purpose of raising these minimums is to
4 ensure that projects receiving the benefits
5 of the tax incentives are paying fair wages
6 and benefits. In our collective experience,
7 projects with budgets below these thresholds
8 improperly treat crews as independent
9 contractors. It is inappropriate to allow
10 productions to avoid paying taxes and
11 benefits to collect a taxpayer-funded
12 subsidy.

13 In summation, New York is now a world
14 hub for film production, creating thousands
15 of high-paying union jobs. It is the tax
16 credit that has made the difference, and our
17 trajectory is dependent on its extension.
18 Because of these reasons, myself and my
19 brothers and sisters in the labor movement
20 urge you to include a five-year extension of
21 the tax credit in the State Budget, and we
22 urge you to increase the proposed minimum
23 spend thresholds to facilitate projects into
24 the program.

1 I thank you for your time, and I look
2 forward to answering any questions.

3 MR. BERTINI: Good morning, Chairwoman
4 Weinstein and members of the Senate Finance
5 Committee and Assembly Ways and Means
6 Committee.

7 You have my report, so I will just
8 read a brief summary. I'll start by
9 seconding everything that Tom has just told
10 you, absolutely.

11 I am Louis Bertini, the eastern region
12 vice president of the Motion Picture Editors
13 Guild. I am also an editor and a working
14 member of my guild. And I thank you for this
15 opportunity to provide testimony and urge the
16 extension of this program for five years.

17 We have experienced a boom in episodic
18 projects because of this incentive. In 2019
19 we hosted over 100 television series, and we
20 provided postproduction workers and services
21 for most of them. These projects require
22 multiyear budgeting and the stability of a
23 venue's tax credit plays a significant role
24 in the budget planning. Without a five-year

1 extension, producers will be hesitant to
2 bring their work here.

3 The incentive is a proven job creator.
4 Over 10,800 people currently work in the
5 field in postproduction and production, with
6 an average income of \$83,400. The program
7 creates opportunity for all New Yorkers
8 regardless of race or gender or sexual
9 orientation, and a diverse talent pool breaks
10 down barriers to opportunity.

11 To sum up, this program is an
12 overwhelming success. These credits have
13 supported the creation of thousands of jobs
14 and billions of dollars of wages and economic
15 opportunity. We respectfully request the
16 inclusion of a five-year extension of these
17 credits in the state's budget to ensure a
18 continuation of the growth and vibrancy of
19 this industry throughout the state.

20 I thank you for this opportunity and
21 look forward to any questions you might have.

22 CHAIRWOMAN WEINSTEIN: Sure. We go to
23 Senator Borrello.

24 SENATOR BORRELLO: Thank you very

1 much. Thank you both for being here.

2 You know, this is obviously a
3 challenging budget year for us, and I'm sure
4 you've heard that from a lot of folks. You
5 know, my concern really -- and I will say, in
6 full disclosure, that we were very fortunate
7 to have a major motion picture filmed in my
8 district, in Chautauqua County, and for the
9 first time ever. So I understand that these
10 credits do help enhance that.

11 But 93 percent of the films are done
12 in New York City. And New York City
13 eliminated their credit that they were
14 offering. So they really don't have any skin
15 in the game anymore, yet they kind of gobble
16 up 93 percent of that credit.

17 You know, in an era right now where we
18 are looking at trying to close a \$6 billion
19 budget gap, how do you justify hundreds of
20 millions of dollars for a city that had many,
21 many films and episodic television done
22 before because people want to film in
23 New York City? That's the bottom line. They
24 want to film in New York City. So how do you

1 justify that when the city itself doesn't
2 even have any more skin in the game?

3 MR. O'DONNELL: Well, I think it's a
4 two-part answer to that question. First off,
5 Buffalo is turning into a mini-production
6 center. I have a \$30 million Universal show
7 going there. I was talking to one of the
8 brothers, they want to do a whole episodic TV
9 series there.

10 Production is -- there's a vibrant
11 independent film community in Syracuse.
12 Hudson Valley is exploding with work.

13 Now, to answer the question about
14 people want to be in New York. Now, I've
15 worked in the industry, I've been
16 representing this industry for 30 years, and
17 I'm also the motion picture director for the
18 Theatrical and Trade division for the
19 International Brotherhood of Teamsters for
20 North America. I'm intimately familiar with
21 the industry, with the history of film tax
22 credits, with its construction and its
23 impact.

24 Even though creatively people want to

1 be in New York, they would not be in New York
2 without that film tax credit. The only state
3 in this country that could sustain having no
4 film tax credit is California. And even
5 California had a 40 percent reduction in
6 production until they instituted a film tax
7 credit.

8 So that's my answer to why we need
9 this.

10 SENATOR BORRELLO: Well, and again, I
11 think -- you know, you mentioned Buffalo and
12 upstate New York areas, and I agree, that's
13 where an influx could be helpful. I just
14 think, you know, it's not -- the playing
15 field is not level at this moment, with 93
16 percent going to New York City --

17 MR. O'DONNELL: Well, you do know that
18 there's a 10 percent labor rate on for
19 upstate New York, which has helped -- you
20 know, which has helped communities like
21 Buffalo and Syracuse and Hudson Valley
22 blossom.

23 SENATOR BORRELLO: Well, yeah, I just
24 think it's a tough budget year and it would

1 be nice to see the city have some skin in the
2 game again, since they get the major -- the
3 lion's share of the benefit. That's my major
4 concern.

5 MR. BERTINI: Let me just add
6 something interesting quickly to that, just
7 to the overall picture.

8 When I started out, a long, long time
9 ago, most of the people in my area came from
10 the film schools at NYU and Columbia. I am
11 from NYU. What I'm seeing now is something
12 very different. Many of the young people
13 coming in are all coming from the state
14 universities and Syracuse and Ithaca and
15 places like that. My assistant, my own
16 assistant came from Ithaca.

17 The reason I think why this is
18 happening is because many of our senior
19 members, the senior members of the Editors
20 Guild, are now teaching programs in the State
21 University system, and they are helping their
22 students to enter the field. So there is a
23 benefit in that way going to the younger
24 people, and I think that helps.

1 SENATOR BORRELLO: Thank you.

2 CHAIRWOMAN KRUEGER: Thank you.

3 Assembly.

4 CHAIRWOMAN WEINSTEIN: Just one quick
5 question, or really more. As I read what you
6 testified to, it would be important to have a
7 longer extension, not just the one-year
8 extension of the tax credit, and also to
9 increase the minimum spend level of a
10 production in order to receive the credit.
11 That's correct, you'd like those two changes
12 to be made?

13 MR. O'DONNELL: Yeah, they -- so much
14 of the work today is episodic television,
15 whether it's network or streaming. And they
16 make the assumption that every show is almost
17 going to be a hit. So when they're looking
18 to locate a production, they're looking three
19 to five years down the road.

20 So -- and I know that it's -- there's
21 -- the law says it's in place, but there's
22 concern about the future allocations and the
23 program's been so wildly successful. And
24 that's why we're asking for a five-year

1 extension.

2 And we do believe that having the
3 minimum spends, it both -- it also reduces
4 the burn rate. And a lot of these shows,
5 like I said, you know, our experience is that
6 they're paying them minimum wage or treating
7 them as independent contractors, not paying
8 benefits. And back in 2002 when we were
9 hemorrhaging feature films and television
10 shows to Canada and elsewhere, we still had a
11 vibrant, independent film community. So I
12 don't feel that that would be necessary to
13 include that in anything less than a million.

14 CHAIRWOMAN WEINSTEIN: Thank you very
15 much for your being here today. Thank you.

16 MR. O'DONNELL: You're welcome.

17 MR. BERTINI: Thank you. Thank you
18 very much.

19 CHAIRWOMAN KRUEGER: Thank you.

20 Our next panel, Protect the
21 Adirondacks and Reinvent Albany. Maybe we
22 can reinvent the Adirondacks and protect
23 Albany.

24 (Laughter.)

1 CHAIRWOMAN KRUEGER: Oh, you're right,
2 you were not a panel. Excuse me, Peter, it's
3 just you.

4 MR. BAUER: Thank you, Senator. Thank
5 you.

6 CHAIRWOMAN KRUEGER: Thank you.

7 MR. BAUER: And the members of the
8 Senate and Assembly.

9 Protect the Adirondacks is here today
10 to talk about the Regional Economic
11 Development Council program in New York and
12 some of the shortfalls for how this program
13 works for small rural communities in the
14 Adirondacks and other places upstate.

15 The Regional Economic Development
16 Council approach to economic development is
17 not working for many places in the state.
18 While it's politically expedient and popular,
19 it fails to accomplish its two central goals,
20 to assist private businesses to expand or
21 start up, and to strategically support
22 communities to build social amenities that
23 will attract new population and will attract
24 investment.

1 Year after year we see big dollar
2 awards in the Regional Economic Development
3 Council, but when you actually look at the
4 money that actually makes it to small
5 communities, less than 20 percent is actually
6 funding real economic development activities.

7 These are tough times in rural
8 America. The Adirondack Park occupies a
9 landscape of a population with about 14
10 people per square mile. That's a landscape
11 of rural America that occupies about
12 60 percent of the country but only has about
13 6 percent of the population. It's pretty
14 extraordinary.

15 Across rural America, there are still
16 fewer jobs than there were before the Great
17 Recession, while the metropolitan and urban
18 areas not only gained -- regained all the
19 jobs lost during the Great Recession, but
20 they added 12 million more.

21 A recent study by the State
22 Comptroller said that of New York's job
23 gains, over 600,000 jobs gained since the
24 Great Recession are in New York City alone,

1 and the rest, another 600,000 were in the
2 city and suburbs of Long Island, Westchester,
3 Rockland and Orange Counties. The job growth
4 is not making it upstate.

5 For the Regional Economic Development
6 Councils, the proof is really in the
7 puddling. In 2019 there was \$67 million,
8 67.9 million that was allocated to the
9 North Country. But when you strip away how
10 that money was actually spent, it tells a
11 different story.

12 Thirty-five million dollars was
13 awarded through the federal Industrial
14 Development Bonds program. It's rarely
15 accessed in the North Country, it's rarely
16 accessed in the Adirondacks. Another
17 \$3 million was in Excelsior job credits --
18 again, rarely accessed in the North Country,
19 rarely accessed in the Adirondacks.
20 Fifty-six percent of the REDC award for 2019
21 isn't even applicable to the region.

22 Another \$13 million went for a variety
23 of worthy projects, but they're culvert
24 replacement and upgrades, they're salt shed

1 storage facilities. They're stormwater
2 projects. They're municipal water and sewer
3 projects. Again, worthy programs, but I
4 don't think you would actually call these
5 economic development programs.

6 When you actually strip away, only
7 about 25 percent of the \$67.9 million awarded
8 in 2019 went to economic development programs
9 for planning, for strategic planning for
10 local governments, for rural economic
11 development, helping to build local
12 institutions, amenities, parks, streetscapes,
13 viable businesses and so forth.

14 Rural America needs these programs.
15 The rural communities of the Adirondacks need
16 this type of investment. Half of all
17 counties, over a thousand across the country,
18 are losing population in rural America. The
19 Adirondack communities, the rural communities
20 of the Adirondacks, are in competition with a
21 thousand other counties across the country
22 who are looking to recruit businesses,
23 looking to recruit population, looking to
24 build dynamic communities.

1 We badly need these investments, but
2 unfortunately the REDC is falling short. So
3 I would urge the legislators to take a hard
4 look at the accountability of this program,
5 which is really a signature program of the
6 Governor's, to really see how it's working
7 well for upstate and where it's falling
8 short. Because in the Adirondacks, when you
9 look at this program, it's falling short and
10 it's not meeting our community needs.

11 Thank you.

12 CHAIRWOMAN KRUEGER: Thank you.

13 Any questions?

14 CHAIRWOMAN WEINSTEIN: No.

15 CHAIRWOMAN KRUEGER: We appreciate
16 your being here with us.

17 MR. BAUER: Thank you.

18 CHAIRWOMAN KRUEGER: Next year we want
19 to make sure you get into the Parks hearing
20 instead of the Economic Development hearing.
21 Thank you.

22 Okay. Next up is our Reinvent Albany.
23 And then after Reinvent Albany will be our
24 last panel for this hearing. So if those

1 people are here and want to get themselves
2 ready, this will be the final panel of this
3 hearing.

4 MR. SPEAKER: Good afternoon, Chairs
5 Krueger and Weinstein and members of the
6 Legislature. My name is Tom Speaker, and I'm
7 a policy analyst for Reinvent Albany.
8 Reinvent Albany advocates for open and
9 accountable government.

10 Thank you for the opportunity to
11 testify today on economic development issues
12 related to the fiscal year 2020-2021 budget
13 and legislative session. Today I'm going to
14 read a summary of the longer testimony that
15 was submitted.

16 We call on the Legislature to sharply
17 reduce business subsidies, collectively
18 costing New York State and local governments
19 \$10 billion a year, and to follow the
20 commonsense step of proving subsidies are a
21 good investment. New York States should not
22 be providing \$4.5 billion in subsidies to
23 businesses while the state is running a \$6
24 billion deficit.

1 The consensus of independent experts
2 across the political spectrum is that
3 business subsidies do not work. Over the
4 last decade, a large body of evidence has
5 been presented showing that subsidies are a
6 poor use of taxpayer funds and are motivated
7 more by politics than demonstrable results.

8 For instance, in 2018 Tim Bartik at
9 the W.E. Upjohn Institute collated 30 studies
10 that together show subsidies impact business
11 decisions, at best, 25 percent of the time
12 and, at worst, 2 percent of the time.

13 It will not be easy to cut wasteful
14 business subsidies, because nobody wants to
15 give up free government money. But you need
16 to start somewhere, and we suggest by taking
17 the 10 following steps.

18 Number one, hold a hearing after the
19 budget on business subsidies inviting experts
20 from across the nation. We name some of them
21 in this testimony.

22 Number two, eliminate the state and
23 local capital gains tax benefit for the
24 federal Opportunity Zones business subsidy.

1 The Opportunity Zones program, established by
2 the Trump administration, has been derided in
3 both the New York Times and the Wall Street
4 Journal for being poorly designed and
5 ineffective at boosting lower-income
6 communities. Opportunity Zones have actually
7 been shown to benefit favored developers and
8 investors far more than any other group.

9 New York State should reject this
10 giveaway, as four other states already have.
11 The Legislature can act by passing the
12 original version of Senator Mike Gianaris's
13 Bill S3401, which will restrict the subsidy
14 by not providing relief for the state capital
15 gains tax.

16 Number three, wean Hollywood from New
17 York State taxpayers by reducing the \$420
18 million spent on the film tax credit by at
19 least 5 percent annually for the next decade,
20 then assess the results.

21 Reinvent Albany strongly supports
22 reducing the size of the film and TV tax
23 credit, as the evidence does not justify a
24 subsidy this large. Thirteen states have

1 eliminated their film tax credit altogether
2 since 2009, since it has proven so costly and
3 generated so little return for the
4 investment. A study by USC professor Michael
5 Thom found the tax credit in New York State
6 had no effect on employment whatsoever.

7 Number four, end hundreds of millions
8 of dollars in subsidies to the oil and gas
9 industry before imposing new assessments on
10 those companies. Reinvent Albany urges the
11 Governor and Legislature to cut subsidies to
12 the oil and gas extraction and distribution
13 industry. The Governor proposes in his
14 Executive Budget enabling NYSERDA to levy an
15 assessment on gas and electric corporations.
16 It makes no sense for New York to both
17 subsidize and tax the oil and gas industry.

18 The Legislature should instead examine
19 curbing subsidies like airline fuel,
20 residential energy and the portion of fuel
21 costing more than \$2 a gallon.

22 Number five, reduce the number of IDAs
23 and LDCs and make them more accountable,
24 including by passing legislation recommended

1 in the State Senate Investigations and
2 Governmental Operations Committee's report on
3 this issue. We highlight particular bills we
4 support in our written testimony.

5 Number six, increase the budget of the
6 Authorities Budget office, a crucial subsidy
7 watchdog, to at least \$3 million and maybe
8 even more than \$4 million. The Senate
9 Investigations and Governmental Operations
10 Committee report issued in December called
11 for an increase in the budget for the ABO,
12 recognizing that the office's skeleton crew
13 of 11 employees can't possibly oversee 583
14 state and local authorities collectively
15 spending \$51 billion a year and holding \$282
16 billion in public debt.

17 Number seven, reform the IDA tourism
18 tax credit in New York State General
19 Municipal Law.

20 Number eight, reduce benefits and make
21 changes to the proposal extending the
22 Excelsior Tax Credit Program and enhancing it
23 for green projects.

24 And then numbers nine and ten, reject

1 reauthorization of the Department of Economic
2 Development's administration of the Empire
3 State economic development funds and reject
4 reauthorization of DED's general loan powers,
5 as detailed in our submitted testimony on
6 Parts EE and FF of the TED Article VII budget
7 bill. We will not support reauthorizing the
8 funds without greater transparency of these
9 economic development projects.

10 Thanks for the opportunity to testify
11 today. I welcome any questions you might
12 have.

13 CHAIRWOMAN KRUEGER: Okay.

14 CHAIRWOMAN WEINSTEIN: Thank you.

15 CHAIRWOMAN KRUEGER: Anyone else want
16 to ask --

17 CHAIRWOMAN WEINSTEIN: No. No.

18 CHAIRWOMAN KRUEGER: We appreciate
19 your testimony today. Thank you.

20 MR. SPEAKER: Thank you.

21 CHAIRWOMAN KRUEGER: All right. And
22 our last panel, Center of Excellence, Center
23 for Advanced Technology, Norma Nowak, Ph.D.;
24 I believe a group or company called Athenex,

1 James Clements; and Enhanced

2 Pharmacodynamics, Stephen Keegan, former
3 student.

4 I don't know, you have to give your
5 companies names I can say.

6 DR. NOWAK: Well, we call it EPD for
7 short.

8 (Laughter.)

9 CHAIRWOMAN KRUEGER: Welcome.

10 DR. NOWAK: Thank you to the chairs of
11 the committee, Senator Krueger --

12 CHAIRWOMAN KRUEGER: I'm sorry, we're
13 going to do 10 minutes for the three of you.
14 Okay?

15 DR. NOWAK: Okay. Thank you.

16 CHAIRWOMAN KRUEGER: Three for each
17 and then -- okay?

18 DR. NOWAK: Perfect.

19 CHAIRWOMAN KRUEGER: Thank you. Only
20 because we're three hours or two hours off
21 our --

22 (Laughter.)

23 DR. NOWAK: Thank you to the chairs of
24 the committees, Senator Krueger,

1 Assemblymember Weinstein, Assemblyman
2 Schimminger, and Senator Kaplan, and members,
3 for the opportunity to testify today. And
4 thank you for your support of the COEs and
5 CATs.

6 I am Dr. Norma Nowak, and I lead the
7 University at Buffalo Center of Excellence in
8 Bioinformatics and Life Sciences, as well as
9 the UB Center for Advanced Technology in Big
10 Data and Health Sciences, and I am here on
11 behalf of my friends and colleagues at the
12 CATs and COEs across the state.

13 The CATs and COEs are among the
14 highest-performing economic development
15 programs in the state, and under the
16 Governor's current proposal, funding for the
17 program would be cut by 27 percent and all 29
18 CATs and COEs would have to be consolidated
19 and compete for a reduced pool of funds.

20 The COEs and CATs are both focused on
21 driving innovation across New York in a
22 multitude of industry sectors. The COEs were
23 established to take advantage of regional
24 strengths and talent, and the CATs are

1 designated for their ability to address
2 specific emerging technologies identified as
3 state priorities.

4 The COEs provide an environment to
5 foster and nurture collaboration between
6 academia and industry. In fact, several of
7 the COEs were designated and received a
8 capital investment in buildings, including
9 Buffalo's. The COE facilities provide
10 technology experts and staff, student talent,
11 and state-of-the-art infrastructure that are
12 critical to the success of companies such as
13 Athenex, who you will hear from shortly.

14 We have made significant progress in
15 New York to grow an innovation economy via
16 these important NYSTAR programs. By
17 eliminating the COE program, New York will be
18 breaking a critical pipeline to industry
19 growth.

20 The CAT program cuts across many
21 technology sectors and was developed to
22 encourage greater collaboration between the
23 private sector and universities in the
24 development and application of new

1 technologies. New York's technology sector
2 is growing at one of the highest rates in the
3 nation and is one of only three states that
4 has seen growth over 25 percent.

5 For the past three years, the CATs
6 have been responsible for 2300 jobs created
7 and/or retained, and \$1.5 billion in economic
8 impact. The COEs have created and/or
9 retained 5700 jobs, with \$1.1 billion in
10 economic impact.

11 I have with me two individuals who
12 reflect the success of UB's COE and CAT.

13 Dr. James Clements is the director of
14 project management for Athenex, a global
15 pharmaceutical company focused on improving
16 treatments for cancer that began 15 years ago
17 as a University at Buffalo startup. And we
18 all understand, life sciences companies
19 require a much longer path to achieve
20 success. Athenex underwent an IPO in 2017,
21 now employs 581 individuals -- with 172 in
22 Western New York -- reached a market
23 capitalization of \$1 billion, and raised
24 another \$100 million in 2019.

1 Mr. Stephen Keegan is an employee with
2 Enhanced Pharmacodynamics, also known as EPD,
3 a University at Buffalo faculty-founded
4 startup based in our Center of Excellence
5 which applies computational model-informed
6 drug development strategies for cancer
7 therapy. Stephen was awarded a funded
8 internship through our Center of Excellence
9 Career Experience Program, and as a result of
10 that internship he was hired full-time by
11 EPD.

12 Having lost my husband to cancer when
13 we were 38 years old, it has been very
14 rewarding to be part of the growth of two
15 companies focused on treating such a
16 devastating disease, which I assure you will
17 someday touch all of our lives.

18 Now I'm going to turn it over to my
19 partners.

20 CHAIRWOMAN KRUEGER: All right. Thank
21 you. Hello.

22 DR. CLEMENTS: Hello. And thank you,
23 Dr. Nowak.

24 My name is James Clements. I am the

1 director of project management at Athenex.
2 I'm very happy to be here, very humbled to be
3 here today. And I certainly appreciate
4 everybody's time.

5 I have actually been with Athenex
6 almost since the start, for 12 years now.
7 And I have witnessed firsthand how the Center
8 of Excellence and the Centers for Advanced
9 Technologies work hand in hand and how
10 they've been able to sustain our early
11 development in clinical programs and in many
12 ways have contributed to the establishment of
13 Buffalo, New York, as the North American
14 headquarters for Athenex.

15 As a small company with limited
16 resources when we started out, being
17 co-localized with a Center of Excellence
18 allowed us unique opportunities to extend our
19 R&D efforts and gain unique insights into
20 multiple aspects of our platform
21 technologies. Proximity and access to the
22 Center of Excellence in Bioinformatics and
23 Life Sciences and the Center for Advanced
24 Technology played a big factor in our

1 leadership's commitment to remain in Buffalo,
2 New York, despite the perceived advantages of
3 relocating to other biotech hubs, which we've
4 touched on today.

5 Our medicinal chemistry efforts, which
6 are central, the core of our drug discovery
7 efforts, are currently housed in the UB
8 Center of Excellence, where our chemists have
9 immediate access to state-of-the-art
10 equipment and, probably more importantly, the
11 innovative and creative staff and faculty
12 that make up the COE.

13 Based on previous, existing and
14 potential new collaborative relationships
15 with investigators at the Center of
16 Excellence, we are actively planning to
17 expand our activities in Buffalo. And even
18 as I speak, we have a new collaboration set
19 to begin which is actually ideal for the CAT
20 funding program. It's a highly innovative
21 project born from UB that can benefit
22 directly, we think, from our established drug
23 development and clinical trial experience.

24 A loss or reduction in the capacity of

1 the Center of Excellence to function at its
2 fullest potential is expected to really
3 hobble our capacity to continue our R&D
4 efforts which are so important to advancing
5 our current pipeline candidates and expanding
6 our programs into additional therapeutic
7 areas.

8 Our hope is that Buffalo will continue
9 to attract startup companies that can take
10 advantage of facilities like the Center of
11 Excellence and programs made available
12 through the CAT program and, in return, like
13 Athenex, it is anticipated that a number of
14 these companies will establish their roots in
15 an environment that enables and fosters and
16 supports innovative technologies and
17 collaboration between academic and private
18 industry -- and also, importantly, provide
19 current and future access to a highly trained
20 workforce.

21 Both the Center of Excellence and the
22 programs supported by the CAT have proven
23 instrumental to the early success of
24 Athenex -- then we were Kinex -- and our

1 continued ascension as a global
2 pharmaceutical player dedicated to improving
3 the lives of cancer patients and their
4 families throughout the world.

5 Thank you so much.

6 CHAIRWOMAN KRUEGER: Hi.

7 MR. KEEGAN: Hi.

8 As an undergraduate at University of
9 Buffalo I was studying chemical and
10 biological engineering, and I always had an
11 affinity towards data-driven science, in
12 particular the life science area.

13 I didn't know that I was able to
14 continue doing this type of premier research
15 in Buffalo. I totally thought my career
16 would end up in Boston or San Francisco,
17 because that was the only two places that you
18 could do it at the time. Or so I thought.

19 And then I took a course, which was a
20 computational elective that told us all about
21 the great resources that UB has to do --
22 through these premier life science companies.
23 And through there I got an internship with
24 the UB Career Experience Program. It was a

1 funded internship, and I was able to be paid
2 to do work at Enhanced Pharmacodynamics.

3 After I had an internship there, they
4 offered me a full-time position, so I'm now a
5 data scientist. I work on validating novel
6 and on-the-market drugs. I do all types of
7 data mining processes in terms of collecting
8 data for some of our own in-house models.

9 And in conclusion of being -- staying
10 in Buffalo, I was able to leverage my
11 relationships with my department, and I am a
12 master's student at UB. So I thought as soon
13 as I graduated I was going to have to ship
14 off somewhere, and now I get to stay within
15 two hours from home and go home and ski with
16 my parents on the weekends, and I just get
17 to -- it's really nice to stay in Buffalo and
18 not have to go to either side of the coast
19 and work there.

20 So having this kind of program is
21 allowing me to do premier research while
22 maintaining a relationship with people that I
23 spent four years as an undergrad and now as a
24 graduate student, so I can really harness

1 these relationships that I have with these
2 professors, continue to do top-notch
3 research, and really perform at a high level
4 in terms of the computational data-driven
5 sciences that I enjoy doing. And I really
6 hope to keep doing it, so it's a lot of fun.

7 CHAIRWOMAN WEINSTEIN: Assemblyman Ra.

8 ASSEMBLYMAN RA: I'm going to ask you
9 a question that might be somewhat rhetorical,
10 but maybe you have some information on it.

11 There's tons of economic development
12 programs we're aware of that New York State
13 has. We've heard about many of them today.
14 Your programs seem to be far and away
15 delivering results, in particular in parts of
16 the state where we're struggling for economic
17 development. Why are you a target for being
18 potentially cut and not having those
19 resources to invest in these types of
20 technologies and industries?

21 ASSEMBLYMAN SCHIMMINGER: Ed, let me
22 just answer that question.

23 (Laughter.)

24 DR. NOWAK: Thank you.

1 CHAIRWOMAN WEINSTEIN: Okay,
2 Assemblyman.

3 ASSEMBLYMAN SCHIMMINGER: This
4 program, the Centers of Excellence program,
5 the Centers of Excellence program and the CAT
6 program have been around a long time, and
7 their handicap is that their origins predate
8 this administration.

9 (Laughter.)

10 CHAIRWOMAN KRUEGER: I'm going to go
11 for the Senate.

12 So actually, according to their
13 testimony, you are not correct.

14 ASSEMBLYMAN SCHIMMINGER: Pardon?

15 CHAIRWOMAN KRUEGER: You are not
16 correct. The Governor, this Governor, signed
17 legislation written by Donna Lupardo in --
18 oh, no, that was updating, in 2011.

19 ASSEMBLYMAN SCHIMMINGER: Yeah, that
20 was merely a codification of the program.

21 CHAIRWOMAN KRUEGER: Sorry. Sorry,
22 sorry, sorry.

23 DR. NOWAK: They were created in the
24 early 2000s. And we were one of the first

1 centers.

2 CHAIRWOMAN KRUEGER: Thank you.

3 I was going to ask you a similar
4 question to my Assembly colleagues. So what
5 kind of trouble have you gotten into?

6 DR. NOWAK: Pardon?

7 CHAIRWOMAN KRUEGER: Well, I mean many
8 economic development deals and projects have.
9 And you cite an Office of the Comptroller
10 study that I gather is saying good things
11 about your outcomes, when earlier today I was
12 reading Comptroller studies showing bad
13 things on other programs.

14 So as far as you know, you've gotten
15 yourselves into big legal problems?

16 DR. NOWAK: No.

17 CHAIRWOMAN KRUEGER: No. Just doing
18 your work.

19 ASSEMBLYMAN SCHIMMINGER: Your return
20 on investment is awesome. The investment of
21 state dollars is relatively small. And
22 unfortunately, for the past several years the
23 funding has been proposed to be cut in the
24 Executive Budget but restored in the finally

1 adopted budget.

2 It's a program which really does a lot
3 with less. And if it ain't broke --

4 DR. NOWAK: It does a lot with less,
5 Assemblyman Schimminger. But what it also
6 does is we work not only within the
7 university, but we reach out into the
8 community. We have K-12 programs, I go to
9 BOCES and we work with BOCES programs. We
10 are really trying to not only just have a
11 reach, which starts -- because if you don't
12 reach the minds when they're in middle
13 school, it's going to be too late.

14 And you have to turn them on to the
15 science. And we go in and show them, here
16 are the cool things you can do. And I tell
17 them, I started a company. Someday, that
18 could be you. You don't have to go and work
19 for someone, you can be the someone.

20 And you make these kids believe that
21 they have a great path in front of them, and
22 you show them the way down the path.

23 And when Stephen, you know, was at UB,
24 we got him an internship through this Career

1 Experience Program. He earned it. And he
2 now has a full-time job. And he gets to stay
3 in New York, his family is in Syracuse. What
4 parent doesn't like to hear a story like
5 that?

6 ASSEMBLYMAN SCHIMMINGER: The Centers
7 of Excellence that strike me are the classic
8 original anchors for the development of
9 clusters. Case in point, the Buffalo Niagara
10 Medical Campus.

11 DR. NOWAK: The whole -- so this was
12 UB's first footprint in downtown Buffalo. So
13 that was in the early 2000s. The building
14 opened in 2006. And if you think about it,
15 the Buffalo Center of Excellence really was a
16 catalyst for the transformation of downtown
17 Buffalo and the growth of that medical
18 campus.

19 CHAIRWOMAN KRUEGER: I want to thank
20 you all for being here. I think you have
21 lifted our spirits with a positive story at
22 the end of the Economic Development hearing
23 for this year.

24 DR. NOWAK: Well, we really appreciate

1 your support. And it was -- I'm -- you know,
2 we were -- I think if you want to say save
3 the best for last. But being able to sit
4 here and listen has been -- it's been a
5 really good day. Thank you.

6 CHAIRWOMAN KRUEGER: Thank you.

7 DR. CLEMENTS: Thank you.

8 MR. KEEGAN: Thank you.

9 CHAIRWOMAN KRUEGER: I believe this
10 ends the Economic Development hearing this
11 year.

12 And we are now moving to our last
13 hearing for the budget this year, and I am
14 handing over the keys to the car to my
15 colleague -- no, I'm not leaving, but the
16 next hearing is the Assembly's hearing. So
17 as the Office of Tax walks in and takes their
18 seats, I'm handing the keys to the car over
19 to Assemblywoman Weinstein.

20 (Whereupon, the budget hearing
21 concluded at 3:10 p.m.)

22

23

24