



TO: Members of the Senate Finance and Commerce, Economic Development and Small Business Committees and Members of the Assembly Ways & Means and Economic Development, Job Creation, Commerce & Industry Committees

FROM: Ryan M. Silva

DATE:

RE: Comments on the FY 2020-2021 Executive Budget

Thank you for the opportunity to provide comments on the proposed Executive Budget on behalf of the New York State Economic Development Council, the statewide, non-profit membership organization representing nearly 1,000 organizations and individuals that make up the NYS economic development ecosystem. Our mission is to advocate for sound economic development programs, educate our members by sharing best practices, and develop policy to create jobs, stimulating investment that increases the quality of life across the state. NYS's economy is unique and diverse. Our unemployment rate has remained steady and we continue to boast record numbers of private sector jobs. However, most of this job growth has occurred in New York City, while upstate job growth has remained stable or lagged national averages. Even more concerning is that the upstate New York population is growing at a much slower rate than other states. While many of our cities like Buffalo, Rochester, Syracuse and Utica are seeing new people move downtown and targeted economic investment, we are still seeing a net population decline in Upstate NY. This affects all of New York State, hurting our tax base and further eroding our representation in Washington D.C.

The economic impact is further exacerbated by our return on investment from the tax dollars New Yorkers send to the federal government. We send more money to the federal government than any other state and get back less – 90 cents for every dollar in 2018, 90 cents for every dollar in 2017, and 84 cents for every dollar in 2016, according to the Office of the State Comptroller. Last year alone, we sent \$25 billion more to Washington, and, \$116 billion more than we received over the past four years, according to a report by the Rockefeller Institute for Government.

This means New Yorkers subsidize other states that boast better economic and business climates while these states keep their tax burden on their residents' low. In turn, we then rely in part on higher state and local taxes to offset that deficit to keep the commitments we've made at the local and state level. The long-term impact of this trend will be catastrophic for the state's economy. NYS is a high-cost state. We need to be mindful of any additional burden, both regulatory and financial, that is placed on our state's economy.

Therefore, we **remain opposed to the expansion of a prevailing wage mandate** to privately funded projects in NYS. There are a number of questions and concerns we have in the proposed language introduced in the budget that we will be raising. We will have more information to share about the economic impact and our concerns in the near future, as we are in the process of conducting a study that will provide fresh data on the negative impact prevailing wage would have on the NYS economy.

Economic incentives or public/private partnerships help level the playing field and keep us competitive. However, we recognize economic development is more than just jobs created per tax dollar spent; it is more than new tax revenue generated. A growing and successful economy means investing in people, places, and progress. With a relatively low unemployment rate, we need to invest in communities that improve quality of life. This requires that public, private, academic, and non-profits work and invest together. Each segment of our economy has a role to play.

Investment in training our workforce is essential for the jobs of tomorrow. NYSEDC members play a critical role by working with partners in workforce development to ensure a skilled workforce that meets employers' needs. Generational poverty impacts cities and rural communities and we need to address it if we are going to succeed. Providing career pathways needs improvement in NYS, and that requires investing broadly in workforce development for high-skill jobs that require advanced degrees and middle-skill jobs that maintain the foundation for a strong statewide economy.

Investment in infrastructure and transportation is vital to building and sustaining livable communities. In the absence of a long-awaited federal infrastructure bill, New York needs to lead by investing in water, sewer, roads, bridges, and high-speed fiber. These public works projects are critical to attracting private sector investment and building communities where people will want to live, work, raise a family, and play.

With that in mind, we believe the items listed below need to be included in the Governor's budget or addressed through legislation:

Regional Economic Development Councils (REDCs): The NYSEDC believes the REDCs have been successful in three direct ways:

- They have empowered regions to develop their own strategic plan, creating a blueprint of where the economy is heading and how it will grow.
- They have led to new collaborations between the public, private, and academic sectors by creating an opportunity for leaders from these areas to come together to find common solutions.

- The creation of the Consolidated Funding Application (CFA) has streamlined the process by which entities apply for multiple sources of state funding rather than submitting a different application for each program to each of 10 different state agencies.

Continued funding of this program will lead to leveraging private investment and better implementation of each region's strategic plan.

Downtown Revitalization: This initiative provides \$100 million for the Downtown Revitalization Initiative Round IV. The NYSEDC has long advocated for direct funding to urban centers. We support this initiative and believe it will continue to help revitalize small cities across upstate New York.

Lowering Tax Rates for Small Businesses: To continue the state's robust economic growth and growth in job creation, Governor Cuomo will propose comprehensive tax relief for small businesses, including: reducing the corporate tax rate for small businesses from 6.5% to 4%, tripling the current income exclusion for farmers and sole proprietors, making the investment tax credit refundable for farmers, and repealing the penalty on S corporations for underpayment of estimated taxes.

Continuing Middle Class Tax Cuts: Lowering personal income tax rates for middle-class New Yorkers is imperative. In 2020, the third year of the multi-year tax cuts enacted in 2016, income tax rates have been lowered from 6.85% to 6.09% for taxpayers in the \$40,000 - \$150,000 income bracket, and to 6.1% in the \$150,000 - \$300,000 income bracket. These cuts are expected to save New Yorkers more than \$1.8 billion this year. Income tax rates will continue to drop to 5.5% for taxpayers in the \$26,000 - \$150,000 tax bracket and to 6% in the \$150,000 - \$300,000 bracket. When the cuts are fully phased in, middle-class taxpayers will have received an income tax rate cut of up to 20%, amounting to a projected \$4.2 billion in annual savings for six million filers by 2025. As the new rates phase in, they will be the state's lowest middle-class tax rates in more than 70 years.

Creating \$3 Billion 'Restore Mother Nature' Bond Act: The increase in extreme weather demands a new solution. Investing in environmental restoration is essential to New York's continued economic success. This year, Governor Cuomo will launch Restore Mother Nature - the nation's most aggressive program for habitat restoration and flood reduction, funded in part by a \$3 billion environmental bond act.

Invest \$100 Million in Green Bank Financing to Attract EV-Sector Manufacturers and Other Related Businesses: The NY Green Bank will make \$100 million in financing available to help clean transportation businesses locate or expand in NY.

Streamlining MWBE Certification Process and Create Statewide Integrated Application Portal: Empire State Development's Division of Minority and Women's Business Development will establish a Statewide Integrated MWBE Application Portal. This will allow business owners to apply for all NY MWBE certification programs through one website and one common application. The portal will provide applicants with direct assistance from program staff in order to ease the process of completing the application. The Governor is announcing additional improvements to the MWBE certification process, including extending MWBE certifications from three to five years. expanding the Division of

Minority and Women's Business Development's internal resources and working with external stakeholders to streamline and reduce the time of the application review process, and releasing updated information and guidance explaining the certification process and providing increased technical assistance to applicants as they navigate the certification process.

Upstate Airport Economic Development and Revitalization Competition Round 2: This initiative has transformed commercial passenger and cargo service airports across the state. This year, the Governor is announcing a second round of funding for Upstate Airport Economic Development and Revitalization. Airports across the state will be encouraged to submit proposals to enhance safety and economic development, improve airport operations and access, reduce environmental impact and create better passenger experiences.

Developing an Innovative Strategy to Build High Speed Rail in New York: We recommend convening a team of forward-thinking experts and engineers to reexamine previous high-speed rail plans, question assumptions and current methods, and develop a plan to build faster, greener, more reliable high-speed rail in New York.

Enacting Comprehensive E-Bike Legislation: As new technology emerges; we must encourage innovation without compromising safety. There is no need for us to choose between legalizing e-bikes and keeping riders, pedestrians, and drivers alike safe and we advocate for introducing comprehensive legislation that moves this legislation forward.

Expand New York's \$175 Million Workforce Development Initiative to Meet Emerging Job Demand: Launching the first-in-the-nation Future of Work Centers. With historically low unemployment rates across many parts of NY, employers are looking for ways to ensure they have employees with in-demand skills. Governor Cuomo will build on the success of the Northland Workforce Training Center in Buffalo and establish two nation-leading Future of Work Centers. These Future of Work Centers will partner with the private sector, community organizations and SUNY/CUNY to create new short-term, non-degree credential and micro-credential programs to quickly address employer skill needs, both for existing workers and new workers.

Policy proposals

Statutory Change Allowing IDA Funds to be Invested Back in Local Economies- In 2015, an interpretation of General Municipal Law and the IDA statute by the Authorities Budget Office (ABO) and the state Attorney General stated IDAs are not explicitly authorized to provide loans or grants. They cannot utilize their funds for a community development project or to invest in a startup company, fund critical public infrastructure, or fund a workforce development program. This has hindered growth in local economies across NYS. This interpretation has led to an increase in the number of Local Development Corporations (LDCs) being formed across the state. The proliferation of LDCs in NYS has negatively impacted economic development and led to additional layers of redundancy, limiting available capital that could be invested to develop clean and green infrastructure, create jobs, invest in new business, or provide training to regional workforces. The NYSEDC is asking for a change in the

General Municipal Law to allow for investments to be made by IDAs under the full supervision of and review by the OSC and the ABO, with full transparency in accordance with best practices passed in 2016.

Shovel Ready Funding Program (\$50 million)- One of the greatest challenges NYS faces in attracting or retaining large-scale economic development projects is time to market. According to research provided by Newmark, the site plan approval process can increase a total project cost by up to 20% and add up to 12 months to the timeline. This leads to NYS missing out on many projects that we should get because we have a high quality of life and a skilled workforce, and we provide some of the most aggressive business attraction programs in the country. The NYSEDC recommends authorizing a sum of \$50 million to be allocated to the NYS Shovel Ready Funding Program for greenfield and brownfield development.

Video Game Tax Credit Program- Building cluster economies in NYS is vital for sustained growth. Assets like the Rochester Institute of Technology (RIT), rated the number one school for game design on the east coast, and Rensselaer Polytechnic Institute (RPI), ranked among the top 10 game design programs in the country, are creating the workforce of tomorrow for this industry. Existing companies like Vicarious Visions (the creators of Guitar Hero), 1st Playable Productions, Darkwind Media, and the MAGIC Center are building cluster economies and retaining millennial talent. The NYSEDC supports the \$50 million Video Game Tax Credit, which will attract similar companies from around the globe and help existing companies keep jobs and intellectual talent here. The tax credit will ensure NYS remains competitive with other international gaming clusters (such as Austin and Montreal) that offer similar incentives.

Funding for Centers for Advanced Technology (CATs) and Centers of Excellence (COEs)- NYSTAR funds 15 CATs to encourage greater collaboration between private industry and universities in the development and application of new technologies. The CAT program, created by Gov. Mario Cuomo in 1983, plays a critical role in spurring technology-based applied research and economic development in the state, promoting national and international research collaboration and innovation; and leveraging New York's research expertise and funding with investments from the federal government, foundations, businesses, venture capital firms and other entities. The NYSEDC believes these public/private/academic partnerships are vital to the innovation economy and leverage multiple sectors for job creation, retention, and entrepreneurship. We propose increasing funding to \$22.5 million annually for the CATs. This investment will leverage hundreds of millions of dollars in other federal and private sector funding.

Investing and Partnering with Land Banks- NYS is home to 25 land banks created to address blighted properties that the private market cannot address more efficiently than local governments can. As of mid-2018, land banks acquired more than 2,800 blighted properties, sold more than 1,200 to other parties that renovated or redeveloped them, renovated or redeveloped more than 500 themselves, and demolished 600-plus hazardous, deteriorated structures. Those activities leveraged more than \$100 million in private investment, returned more than \$40 million of assessed value to taxable status, and leveraged \$13 million in local government funding and \$13.5 million in other grant funds. The

NYSEDC recognizes the role land banks play in the larger economic development ecosystem. We support dedicated funding up to \$100 million from NYS to support land bank activities.

RESTORE NY Program- The Restore New York Communities Initiative provides municipalities with financial assistance for revitalization of commercial and residential properties. The program encourages community development and neighborhood growth through the elimination and redevelopment of blighted structures. The Restore New York Communities Initiative requires planning and directs funding where it is most needed: for projects involving the demolition, deconstruction, rehabilitation and/or reconstruction of vacant, abandoned, condemned and surplus properties. There is a strong emphasis placed on funding projects from economically distressed communities. The additional \$75 million would continue the success of this program.

Cyber Security and Homeland Security Policy and Program Proposals

State-Sponsored Technology Testbed- The venture capital community notes that the objective of any company is to take a solution and demonstrate the solution works and can scale. Many large banks and corporations have developed in-house technology laboratories that allow them to bring in technologies to test performance within existing IT infrastructure. There is an opportunity for NYS to develop a corporate or state-sponsored center of excellence that companies could leverage as a testbed for evaluating viability and scalability of solutions before pushing them into the marketplace. Siting a center in upstate would be particularly advantageous because cost of talent is significantly lower than New York City. The startup community needs affordable places to experiment and prove their success. It is not sustainable to have the financial pressure of New York City overhead while trying to launch an idea.

Apprenticeship Laboratory- NYS has an opportunity to leverage its SUNY system to launch a Virtual Cybersecurity Apprenticeship initiative to target the cybersecurity skills gap. Although cybersecurity talent is not limited to coders – cybersecurity firms need a range of skills and disciplines – one of the prevalent issues regarding the talent shortfalls in the industry is the disconnect between open positions and the skills graduates are bringing to the workforce. Virtual apprenticeship laboratories at SUNY campuses could connect industry directly with students, enabling the former to shape the skills and knowledge base students develop during their studies. These students would serve as a local pipeline of talent for NY based companies.

Sustained funding to support the NYS Business Plan Competition (NYSBPC): Since its inception in 2010, the NYSBPC has served more than 2,500 students, led to the creation of 100+ new businesses, and invested more than \$1 million, which has leveraged an additional \$20 million in private funding and entrepreneur services. In 2018, more than 100 teams vied for cash prizes and statewide recognition at the ninth annual New York Business Plan Competition Final. The NYBPC is the only collegiate business competition that is a regionally coordinated, collaborative, statewide program connecting college students from more than 75 two- and four-year colleges and universities, setting it apart from all other competitions in the nation. To keep this program running, the NYSEDC is proposing annual funding of \$150,000 for administration costs, which would be matched by more than \$500,000 in prize funding, business services, and mentoring programs.