



# NY Works

*Getting NY Back to Work*

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## The New NY Agenda

### Andrew Cuomo

*3<sup>rd</sup> in a Series*

CUOMO  2010

# THE NEW NY AGENDA

**T**he people of New York deserve a government that works, for a change — not a government paralyzed by partisan politics and plagued by ethical scandals.

We love New York and are willing to fight for the fundamental reforms necessary to restore competence and integrity in government and regain the public's confidence.

We are Democrats, Republicans and Independents. But we are New Yorkers first, foremost and always.

Today, I join with my fellow New Yorkers to actively support Andrew Cuomo's New NY Agenda. I pledge to vote in the upcoming elections, to urge my local elected officials to support this Agenda, and to organize and mobilize my community in November—and next year—to make a "New NY" a reality.

- 1. Clean Up Albany.** We must restore honor and integrity to government, with tough new ethics standards, expanded disclosure requirements, independent investigators to root out and punish corruption, and an overhaul of campaign finance laws. We must remove legislative redistricting from partisan elected politicians and place it in the hands of an independent commission that works only for the people. And we must hold a constitutional convention – A People's Convention – to rewrite the Constitution and make these changes immediately because we cannot wait any longer for the state legislature to act.
- 2. Get Our Fiscal House in Order.** We must get our State's fiscal house in order by immediately imposing a cap on state spending and freezing salaries of state public employees as part of a one-year emergency financial plan, committing to no increase in personal or corporate income taxes or sales taxes and imposing a local property tax cap. We must also eliminate mandates that make it impossible for school districts and localities to contain costs.
- 3. Rightsizing Government.** Government in New York is too big, ineffective and expensive. We must enlist the best private sector minds to help overhaul our more than 1,000 state agencies, authorities and commissions and reduce their number by 20 percent. We must make it easier to consolidate or share services among our more than 10,000 local governments.
- 4. NY Works.** We must make New York the jobs capital of the nation and get unemployed New Yorkers back to work. We will give businesses a tax credit of up to \$3,000 for each unemployed New Yorker hired for a new job. We must also replace New York's ineffective economic development efforts with a new strategy organized around regional industry clusters; reduce the high costs of doing business in the state; and support small businesses by increasing access to capital and streamlining regulatory barriers.
- 5. NY Leads.** New York has been a national leader in protecting and advancing individual rights and safeguarding the future of its citizens. To remain so, we must protect a woman's right to choose, achieve marriage equality, enact tough anti-discrimination laws, truly regulate Wall Street, attract the best and the brightest to government, leave our children a cleaner and greener world, and continue to oppose the death penalty.

Sign the pledge today at [www.AndrewCuomo.com](http://www.AndrewCuomo.com)

**The New NY Agenda**

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**NY Works**



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# 1

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## **NY Works** *Executive Summary*

**N**Y Works is one of the five principles of Andrew Cuomo’s New NY Agenda. In the New NY Agenda, Andrew Cuomo said: “We must make New York the jobs capital of the nation and get unemployed New Yorkers back to work.” This longer *NY Works Agenda* lays out in more detail the specific programs Andrew Cuomo and his Lt. Governor Bob Duffy will pursue to make that promise a reality.

The economic challenges New Yorkers face were summarized in the *New NY Agenda* as follows:

Too many New Yorkers today are unemployed or do not earn enough to make ends meet. Over the past decade, many regions of New York have experienced sustained job losses, especially Upstate. But New York’s employment statistics since the beginning of the current recession are staggering. From April 2008 through December 2009, New York lost 352,700 private sector jobs, while unemployment hit a 26-year high of almost nine percent.<sup>1</sup> The so-called “underemployment” rate — counting people

whose hours have been cut along with those working part time for lack of full-time positions — averaged 14.3 percent in 2009, meaning almost one out of every six New Yorkers was unemployed or underemployed.<sup>2</sup>

Every region of the State is suffering. Upstate continues to witness the crumbling of its manufacturing employment base, which has declined 32 percent over the past decade,<sup>3</sup> with an overall job loss of approximately 22 percent over the same period. Unemployment in New York City is even higher — 10.6 percent, with even higher unemployment rates in many parts of the City.<sup>4</sup> In New York City, communities of color are hit especially hard. Unemployment of African Americans and Hispanics exceeds 15 percent in many neighborhoods.<sup>5</sup>

In addition, many fear that we are close to a tipping point in terms of population loss. Two million New Yorkers have left the State over the past decade.<sup>6</sup> New York leads the nation with net out-migration of 20 to 35 year olds, the most critical demographic group for economic growth and community vitality.<sup>7</sup>



***From April 2008 through December 2009,  
New York lost 352,700 private sector jobs,  
while unemployment hit a 26-year high of  
almost nine percent.***

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## **Forge a New Economic Development Paradigm**

New York State's current policies and system for managing economic development have not proven effective in creating jobs and driving investment in New York. The State's economic development bureaucracy is slow and unresponsive to the needs of New York's diverse regions. Too much of our economic development spending is based on factors other than merit and there is insufficient transparency about which of our economic development investments are in fact producing the intended result. New York's failure to adapt to the needs of the 21<sup>st</sup> Century global economy has contributed to job losses and the failure to create new industries and jobs in New York. The economic crisis that began in 2008 has compounded these problems, exposing the structural weaknesses of New York's economic development programs.

Decisive action must be taken now to reverse this trend and forge a new economic development paradigm that is based on more regional control, a

greater level of partnership with the private sector, recognition of the critical role of colleges and universities in creating jobs and attracting companies to New York, basing economic development grants on competition whenever possible, and a strong system of performance management that shows which investments and policies are working and which are not. The State's new approach to economic development must begin with a personal commitment from the highest levels of State government to make jobs and economic development a top priority. As Governor, Andrew Cuomo will ensure that all of the State's economic development efforts are kept on the front burner of government. And because the economic situation of Upstate New York is particularly perilous and requires the greatest involvement of State government, Andrew Cuomo will make Lt. Governor Bob Duffy his personal representative to drive economic development initiatives that affect Upstate New York.

The State can—and must—do more to get New Yorkers back to work, revitalize the Upstate region and grow our economy. Here is how we will do it.

***Improve the Business Climate: “NY Open for Business” Initiative to Make New York More Competitive***

To compete effectively in the global economy, New York must address State policies that substantially increase the cost of doing business in New York. These costs include State and local taxes, assessments for workers compensation and unemployment insurance, and energy and health insurance costs. The Cuomo Administration will take steps to reduce every one of these major cost drivers for business.

We know that businesses will not create jobs in New York if they do not believe that State government will rein in spending and hold the line on taxes. That is why Andrew Cuomo’s commitment to control State spending, veto tax increases in personal or corporate income tax and sales tax, and cap local property taxes is a critical part of his economic development plan.

For many industries—including manufacturing in particular—workers compensation represents a significant expense. The total cost of New York’s

workers compensation system in 2007 was approximately \$7.0 billion annually. A major Workers Comp reform package enacted in 2007 resulted in a reduction of premiums of 22 percent over two years—implying a savings to New York employers of nearly \$1.5 billion a year if this level of savings were achieved for all employers—while increasing benefits for most workers. Unfortunately, New York State’s often dysfunctional bureaucracy has been very slow to follow through on the steps needed to complete Workers Comp reform. This delay in implementation now threatens to reverse the savings that were supposed to be achieved through the 2007 Workers Comp reform. The *NY Works Agenda* calls for completing the stalled Workers Comp reform process so that the significant savings that New York businesses expected to realize from reform are achieved.

Unemployment insurance is another major expense item for many businesses. New York State’s Unemployment Insurance Trust Fund is now approximately \$3 billion in deficit. Unless strong action is taken by the State, New York businesses will

see their Unemployment Insurance expenses grow significantly to eliminate this deficit as required by federal law. The Cuomo Administration will pursue a range of options to avoid a spike in costs to New York businesses during this critical economic time.

New York State's energy costs are among the highest in the nation. Andrew Cuomo's *Power NY Agenda* offered a comprehensive plan to reduce energy costs while creating jobs through investments in energy efficiency, renewable energy and cleantech businesses. Improved energy efficiency, in particular, is one of most effective ways to reduce energy costs and at the same time is a source of new jobs. The *NY Works Agenda* proposes a new Energy Efficiency Finance Corporation to help larger businesses finance energy efficiency programs that can reduce power bills by as much as 40 percent in some cases. Because the cost of electricity is determined in large part by the law of supply and demand, reducing overall demand for energy through these efficiency programs will benefit *all* ratepayers, in addition to the particular savings that businesses participating in these programs will realize.

Health insurance is one of the largest expenses that many businesses face, often accounting for 20 percent or more of total personnel cost. These costs are particularly burdensome for New York businesses because our health care system is one of the most expensive in the nation. The recently enacted federal health reform legislation may prove helpful to New York in gaining control over the runaway growth in health insurance costs in the long run, but in the short run, the new law threatens to actually increase the cost of insurance for many businesses—a risk the Cuomo Administration will work to counteract.

One direct measure the Cuomo Administration will take to help protect businesses is to ensure that insurance carriers do not raise health insurance premiums beyond a level warranted by the risks they are insuring. The Cuomo Administration will also rigorously enforce the new State law that gives the State Insurance Department prior approval over health insurance premium increases to ensure that any such increases are warranted. We will also aggressively pursue new federal subsidies that can

reduce the cost of health insurance for many small businesses with 25 or fewer employees.

***Forge a New Economic Development  
Paradigm: Regional Economic Development  
Councils***

New York cannot pursue a one-size-fits-all approach to economic development. Each of the State's regions is different. To be successful, New York's economic development strategy must be reflect a bottoms-up approach that both reflects the particular needs of each region, is fully integrated with all of the economic development stakeholders in the region, and is closely to other regions in the State so that the whole becomes greater than the sum of its parts. Under Andrew Cuomo as Governor and Bob Duffy as Lt. Governor, New York will place this kind of regionally focused, yet highly connected, economic development approach at the heart of their strategy to attract new companies to New York and to convince companies already here to expand.

The starting point for this effort will be to establish ten regional economic development councils (“Regional Councils”) that represent a public-private partnership to develop and execute effective long-term economic development strategies. The Regional Councils will coordinate economic development efforts in their region in partnership with business, local public and private economic development organizations, institutions of higher education and other stakeholders. The Regional Councils will be empowered to cut through the Albany bureaucracy so we can get things done. All the State agencies that impact economic development, including DEC, DOT, NYPA and Ag and Markets—as well as ESDC as the lead agency—will be represented on the Regional Councils so we can break down bureaucratic silos and have the State speak with one voice. Bob Duffy, as an Upstate leader with a record of working to improve the Rochester and Western New York economy, will serve as the Chair of the Upstate Regional Economic Councils.

The Cuomo Administration will include as full partners in this effort the private regional business

marketing entities—such as Buffalo-Niagara Enterprises, Rochester Business Alliance/Greater Rochester Enterprises, CenterState CEO in Syracuse and the Long Island Association—and local governmental economic development organizations, since these entities have a deep understanding of the needs of businesses in their regions and a mission to expand economic development there. By working so closely with both these entities, the Regional Councils will provide businesses with a single point of contact for economic development matters.

Speed to market is critical, and New York loses many opportunities because our economic development bureaucracy cannot make decisions quickly and speak with one voice. In order to make our economic development programs nimble and responsive, the Cuomo Administration will place one third of economic development funds under the control of the Regional Councils so they can quickly make decisions based on their local knowledge of the best opportunities within the region, while reserving two thirds of economic development funds for competition between regions to ensure that the

largest opportunities Statewide have sufficient funding.

A regional approach to economic development does not mean that each region should be isolated in its thinking. Each region *must* stay connected to other regions to leverage the economic assets of other parts of the State. Too often today New York is *less* than the sum of its parts. The Regional Councils will be judged in part on how much they contribute to making New York *more* than the sum of its parts. Because New York must also connect to the world, not just other regions or states, a key part of the regional strategy in many areas will involve an expansion of international trade. For Western N.Y., in particular, trade with Canada is a major source of jobs and must be a priority for the State.

***Targeting Incentives to Get New Yorkers  
Back to Work and to Attract, Retain and  
Expand Jobs***

To revitalize New York's economy and create jobs, New York needs a competitive business climate

and an effective regional economic development approach to economic development. In some cases, however, New York will also need additional incentives to compete with other states and countries to attract companies to New York and expand jobs here. Especially because of the deep budgetary constraints New York faces, these incentives must be carefully targeted so that we do not waste precious economic development funds.

Given the prolonged period of high unemployment we are experiencing, providing jobs for New Yorkers must be the overriding priority of New York's economic development efforts. As an immediate boost to this effort, the Cuomo Administration will propose a "Jobs Now" tax credit of up to \$3,000 for businesses that hire new workers who have been unemployed for at least sixty days. As part of a longer term and sustained strategy of incentivizing companies to create jobs and invest in New York, the Cuomo Administration will fix the recently enacted "Excelsior" tax credit program so that New York can be more competitive with the

economic development incentives of neighboring states.

We must also strive to keep the State's prior commitments in its economic development programs. The effectiveness of tax incentive programs in bringing businesses to New York is threatened by the action of the State to defer the payment of tax credits to businesses to close this year's State budget gap. New York must take steps to assure businesses that this deferral will not be extended again, so they can have certainty of receiving these funds on the schedule established by the budget this year. Moreover, when the State does pay businesses the funds owed under these tax credits, it should include interest for the period of time that the State has effectively borrowed this money. Finally, because of the great importance of Historic Preservation Tax Credits to revitalizing Upstate cities and towns, in particular, the State will immediately end the deferral of this important tax credit.

In addition to targeted tax incentives, the Cuomo Administration will create three distinct types of economic development grant programs to support

this regional economic development model.

“Revitalize NY” grants will be awarded in a competitive process for strategic projects such as preparing shovel-ready sites, repurposing of unused manufacturing and other facilities, creating vibrant downtown commercial areas and other job-producing projects. “Strategic Companies Incentive” grants will enable the State to offer direct incentives to business to induce them to locate or expand in New York.

“Innovation Economy” grants will be awarded in a competitive process to provide support to consortiums of higher education and industry that are creating a “next generation” of jobs in industry clusters with a heavy emphasis on commercializing university-based research. The process of approving and distributing all of these grants will be streamlined and measured against performance metrics to assure accountability.

***Make Higher Education a Jobs Generator:  
Higher Education-Industry Partnerships***

The Regional Councils will help to coordinate the efforts of State government in attracting, nurturing and retaining businesses of all sizes to New York. There is a specific set of businesses, however, where the involvement of government requires a special set of policies. These are sectors that rely heavily on commercializing research inventions and on consortiums of higher education and groups of companies to develop large new markets.

New York needs to support the development of these sectors with a two-pronged approach. First, to support technology transfer and commercialization efforts that can take inventions from university laboratories and turn them into commercially viable products and businesses based in New York. As part of the effort of encouraging new companies based on these innovations, the State will create a Seed Technology Venture Fund to provide capital to get ideas and companies to a stage where they can attract venture capital. The State will further support

investments in innovative products and companies by eliminating the capital gains tax on investments in start-up and early stage companies.

Second, while technology transfer and commercialization efforts are vital, a broader effort is required to make New York the location of choice for large-scale economic activity in these sectors. New York has one major success story of a major industry sector being substantially by State support for a consortium of higher education and industry: The Nanotechnology innovation and industry cluster that stretches from the IBM Hudson Valley Research Park in East Fishkill, through the Albany NanoTech Complex that is part of the State University at Albany College of Nanoscale Science and Engineering (“CNSE”), to the massive Global Foundries computer chip fabrication plant under construction in Saratoga County.

New York has the opportunity to nurture the development of other clusters of next generation jobs by supporting similar consortiums of higher education and industry through the new program of Innovation Economy capital grants. These grants will

be issued through a competitive process and will concentrate on the industries where New York is best positioned to succeed because of its existing assets in human capital, research and industry leadership—including such industries as life sciences, renewable energy and other cleantech technologies, and telecommunications.

### ***Training a Workforce for the 21<sup>st</sup> Century***

New York must redesign technical and career education and workforce development programming to meet the workforce needs of employers in high-growth industries in each of New York’s diverse regions. We must create a system that aligns the needs of high-growth employers with job-seeking, as opposed to the existing “supply-side” system that is organized around the skill sets of work-ready job candidates irrespective of whether there are jobs available in those fields. As part of this effort, the Regional Councils will coordinate the efforts of the State’s workforce development and economic development functions that are now managed

through a complex system of federal as well as State agencies, including the Department of Labor and the State Education Department, with the delivery of on-the-ground services provided by innumerable agents, such as local Workforce Investment Boards (“WIBs”), One-Stop Employment Centers, county social services departments, and educational institutions including Community Colleges and Boards of Cooperative Educational Services (“BOCES”).

Finally, we must address the critical issue of youth employment by creating dual enrollment programs that allow high school students to enroll in courses at community college with a goal of increasing postsecondary access and success, particularly for minority and low-income students. These dual-enrollment programs are employed with great success and varying degrees of emphasis in 40 states across the nation, as well as in the CUNY system. We also emphasize “on-the-job” training and mentoring programs as key workforce development strategies.

## ***Address the Particular Needs of Small Business***

New York State's small businesses make up more than 99 percent of New York's private employers and employ 52 percent of the State's private sector labor force.<sup>8</sup> Nearly every part of the NY Works Agenda will benefit small business in some way, but certain additional actions must be taken to address the particular needs of small business.

Access to capital and financing is crucial for small and medium-sized businesses, and the evidence of the decline in lending is unmistakable. From 2006 through 2009, the number of loans to small business in New York State declined 54 percent; for loans under \$100,000 the decline was approximately 63 percent.<sup>9</sup> A key element of our Small Business Agenda is to get capital and financing flowing to these businesses again.



***From 2006 through 2009, the number of loans to small business in New York State declined 54 percent; for loans under \$100,000 the decline was approximately 63 percent.***

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New York State currently has at least ten programs designed to increase the supply of capital and financing to businesses, but these programs are managed by multiple agencies, hard for businesses to find and too small to really make a difference. The Cuomo Administration will make this issue a priority. First, the Superintendent of the Department of Banking and the Chairman of ESDC will be charged with developing transparent metrics and targets, so we can understand in a more real-time way the extent of the problem of access to capital. Next, we will expand the capacity of the State's limited Linked Deposit Program to facilitate lending to small and medium-sized businesses. These enhancements will include a New York State version of the CalCap program that provides portfolio insurance to banks that make such loans or enhanced collateral support

of the kind provided in the Michigan Collateral Support Program. The *NY Works Agenda* will strengthen the institutions that are more apt to provide credit to small businesses, such as Community Development Financial Institutions, community banks and credit unions, by maximizing their participation in the State’s Linked Deposit and Revolving Loan Program. Finally, we will work to ensure that every bank operating in New York has a “Second Look” program for rejected credits, including seeking to connect businesses that have been unable to obtain a loan from their existing financial institution with other lenders around the State.

Providing health insurance to their workers is one of the largest expenses that many small businesses face. Under Federal Health Reform, businesses with less than 25 employees may be eligible for subsidies for up to 35 percent of their health insurance premiums. The Cuomo Administration will ensure that all of the relevant State departments—including Health, Insurance and ESDC—work in concert to make these benefits available to eligible businesses.

New York must do a better job of connecting small and medium-sized businesses with various incentive programs that are available to them. For the State's small and emerging businesses in particular, combing through the State's incentive offerings is an arduous process that results in lost opportunities for small businesses. We will create an online, interactive incentive-matching tool for use by the small business community which enables the entry of the basic business profile information that is relevant to all incentive program criteria, such as the number of employees, location, MWBE status, annual revenues, etc. This online matching tool will then generate a list of State incentive programs that may be suitable for the business accessing the tool.

To reduce regulatory burdens for small and medium sized businesses, we will implement, on a state-wide basis, a version of New York City's Business Express<sup>10</sup> project — an online, one-stop shop for required permits and documentation for all state agencies. The site will easily guide and help a person start a business in New York State; apply online for new licenses, permits and certificates, and

obtain a customized list of typical State requirements for any business.

***Create Transportation and Other Infrastructure to Support Growth***

New York State's heritage as an economic power was built on its leadership in transportation infrastructure. From the Erie Canal to the Thruway system to the great subway system of New York City, New York has always had a transportation system that was a key driver of economic growth.

Today, New York ranks near the bottom of national rankings in bridge and pavement conditions, has suffered a national embarrassment in delays and cost overruns in major projects like East Side Access and the Second Avenue Subway, has failed to figure out a way to build a new Peace Bridge in Buffalo after talking about it for twenty years, has

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***Today, New York ranks near the bottom of national rankings in bridge and pavement conditions...***

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failed to develop a plan to finance and rebuild the Tappan Zee Bridge, and has failed to use federal stimulus money for much more than culverts and bridge deck replacement because we lacked design approved shovel ready projects or the ability to use a design-build approach for highway projects. On top of this, the State has resorted to irresponsible and short sighted bonding practices for the last fifteen years. These practices have left the State with an operating deficit at the MTA and few available resources to address our infrastructure problems, since so much of our transportation dollars are tied up in paying debt service on projects that should have been financed with a greater proportion of cash instead of relying almost exclusively on bonded capital.

Fixing our infrastructure problems will take a concerted effort and the cooperation of business and labor. We must reduce operating costs at both the DOT and the MTA through better technology and greater efficiency in areas from procurement rules to para-transit services. To free up the capital funds we need to complete existing projects on schedule and

fund other projects that can create jobs and economic growth, we will need to simultaneously address the bonding practices of both the Metropolitan Transportation Authority (“MTA”) and DOT and reduce overall construction costs.

As we get existing transportation infrastructure house in order, we must also take advantage of the huge opportunities for an improved 21<sup>st</sup> century infrastructure. We must resolve the bickering between public and private parties that prevents us from having a viable High Speed Rail strategy and New York must take the lead among neighboring states in pushing the Federal government to develop a national rail-freight plan that takes trucks off our highways. We also need to work with our partners in New Jersey to develop a comprehensive Aviation strategy for the region. According to the New York City Partnership, delays at JFK Airport alone cost the region \$2.6 billion a year—delays that could be substantially reduced if the Federal government would order an industry-financed upgrade to our air traffic control system.

As part of the effort to strengthen New York’s infrastructure, we will create the “Rebuild NY” State Infrastructure Bank to maximize our infrastructure dollars. The Rebuild NY Bank will use cash received from the State or the proposed Federal Infrastructure as equity, and lever that equity (typically at a rate of 3x) to create a pool of funds for investment into economic development or transportation infrastructure projects. Projects conducted through the SIB will be eligible for Design-Build contracts, that have been demonstrated to reduce the cost of procurement by allowing for “value engineering” in the contracting process, and will facilitate the introduction of private capital and risk-sharing by the State in the construction of certain large projects, similar to what the Port Authority is now pursuing with respect to the Goethals Bridge project in Staten Island.

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Collectively, these initiatives will help to create new, good paying jobs in all parts of New York State.

The following chapters set forth in detail this *NY Works Agenda*.

# 2

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## **Improving New York's Business Climate** *NY Open for Business Initiative*

**A**ll of the State's efforts to directly support job creation and economic development will be for naught if New York's business climate is not changed in a way that helps businesses stay (or become) competitive in a global market. Businesses are attracted to New York because of our many assets, including an educated and dedicated workforce, our role as a global financial center, our large markets and the geographic advantages that different regions possess for doing business with large trading partners. Unfortunately, many existing State policies hamper the competitiveness of businesses that are already based in New York and make it harder to convince other companies to locate here. These State policies drive up many of the costs of doing business, including

State and local taxes, assessments for workers compensation and unemployment insurance, and energy and health insurance expenses. These problems are compounded by a State regulatory bureaucracy that is too often unresponsive to the needs do business. With Andrew Cuomo as Governor, New York's business climate will begin to change for the better.

### **Reducing the Tax Burden**

New York's State and local tax burden on individual taxpayers is the third highest in the nation, behind only Alaska and Wyoming (where much tax revenue is tied to natural resources).<sup>11</sup> New York State's highest corporate income tax rate of 7.1 percent is by itself among the top half of states in the nation, and on top of that many New York State businesses pay additional local corporate income taxes or taxes based on payroll. For many businesses outside of New York City, their largest tax expense (other than Federal income taxes) is property tax. New York State's property tax as a percentage of

assessed value is also among the highest in the nation.<sup>12</sup> We know that businesses will not create jobs in New York if they do not believe that State government will rein in spending and hold the line on taxes. That is why Andrew Cuomo's commitment to control State spending, veto tax increases in personal or corporate income tax and sales tax, and cap local property taxes is a critical part of his economic development plan.



***For many businesses outside of New York City, their largest tax expense is property tax.***

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## **Workers Compensation Reform**

In 2007, the total cost to New York employers of Workers Compensation was approximately \$7.0 billion, and Workers Compensation was among the largest personnel costs for many businesses. New York State enacted significant reforms to the Workers Compensation system in 2007 that resulted in a 22 percent reduction in commercial carrier premiums in

the two years following enactment of the reform law. This implied a savings to employers of nearly \$1.5 billion annually and represented the equivalent of a substantial tax cut for employers with high Workers Compensation expense. The 2007 Workers Compensation reform statute was intended to be a compromise between the interests of employers and injured workers. As part of the reform package, the maximum Workers Compensation weekly benefit for injured workers was significantly increased and indexed annually thereafter. With these changes, Workers Compensation reform held the promise of being a “win-win” for business and labor.

The 2007 Workers Compensation reform<sup>13</sup> was expected to produce savings by capping at ten years the period for which benefits related to “permanent partial disability” would be paid and by making changes in the way that the “degree of impairment” in wage earning ability was determined. These savings were supposed to make both a significant reduction in premiums and an increase in maximum weekly benefits. A series of stakeholder Task Forces were established to develop guidelines

for both the treatment of injured workers and for determining the degree of disability and related impairment in wage earning ability.

Unfortunately, the implementation of these changes has been very slow in the more than three years since the enactment of the Workers Compensation reform law and threatens to undo the savings that employers have achieved as a result of the new law. The Cuomo Administration will make it a priority to complete the stalled Workers Comp reform process to secure the “win-win” of cost reductions and benefit increases that the reform law was supposed to make possible.

### **Preventing a Spike in Unemployment Insurance Costs**

Unemployment Insurance (“UI”) is another significant expense for many New York businesses. When a state’s UI Trust Fund maintains an appropriate balance, employers are eligible to take a credit of 5.4 percent, leaving an effective tax rate of 0.8 percent on the first \$7,000 of wages as the FUTA

liability. These costs are about to increase significantly as a result of a \$3 billion deficit in the State's UI Trust Fund. The federal government finances this deficit in the UI Trust Fund, and under federal law it will soon impose increased taxes on New York employers to eliminate the Trust Fund deficit over a period of years. It is estimated that New York's tax-rated employers will need at least six years to repay the federal loan and interest on the Trust Fund deficit in New York's UI Trust Fund. This increased tax burden will be in addition to an employer's New York state unemployment tax burden (which averages 4 percent) on the first \$8,500 of wages. As part of the *NY Works Agenda*, the Cuomo Administration will pursue options for returning the UI Trust Fund to solvency in a way that minimizes this additional cost for New York employers, including the possibility of financing the repayment of the deficit with lower cost funds than Federal government charges employers.

## **Reducing Energy Costs**

### ***The Power NY Agenda***

New York State's energy costs are among the highest in the nation. According to a 2007 survey, commercial rates for electricity in New York were 61 percent higher than comparable states.<sup>14</sup> Andrew Cuomo's *Power NY Agenda* offers a comprehensive program for controlling energy costs, including investments in energy efficiency, upgrading and expanding our transmission infrastructure to bring lower cost power to the areas where it is needed the most, a new power plant siting law to help expand the supply of power generation, and a willingness to take a fresh look at the NYISO system that sets the price of wholesale electricity in New York.

## ***Create a new Energy Efficiency Finance Corporation***

As described in the *Power NY Agenda*, improving energy efficiency is a “win-win-win” strategy that reduces energy costs for *all* ratepayers, creates jobs and economic activity, and is good for the environment. Energy efficiency programs can be dramatically less expensive—as much as 3-5 times on a per watt basis—as other efforts to produce low carbon, clean energy. The *Power NY Agenda* describes how the State can improve its existing energy efficiency programs, but these efforts are largely focused on government facilities and residential buildings.

The opportunity also exists for New York State to accelerate energy efficiency projects by assisting large private building owners in making return-justified, quantitatively supported energy efficiency investments. NYSERDA’s existing energy efficiency programs are directed at residential and small business users and are poorly suited for this kind of “business scale” effort. For example, the Empire State

Building consumes the equivalent amount of energy as 40,000 single family homes. Energy efficiency projects in large buildings of this kind can help to materially reduce the use energy, thereby alleviating the need for new energy capacity and reducing the price of energy sold in our competitive markets because of the law of supply and demand.

Using New York City as an example, 80 percent of the energy used is consumed by buildings, and 20 percent of those buildings consume 80 percent of the total energy use by buildings. In other words, about 64 percent of all energy consumed in New York City is consumed by 20 percent of its buildings. As a result, investment in these buildings—with a specific concentration on the largest energy users—is the key to substantially improving energy efficiency and decreasing total energy use.

The Cuomo Administration will work with businesses and the financial markets to design a new Energy Efficiency Finance Corporation (“EEFC”) program to support these large energy efficiency investments and work with the Federal government to get dedicated private activity bond cap funds made

available to further lower the cost of this financing. The EEFC will be housed within an existing agency to avoid adding to the State's problem of duplicative government agencies and authorities.

The EEFC will leverage federal grants and embrace new approaches to contracting, such as working with private entities that engage in performance guaranteed contracting, to create a new, industrial scale model for financing energy efficiency projects. Private companies such as Hannon Armstrong are already deploying this business model on a smaller scale, and we can learn from their experience.

Real estate owners are intensely competitive. Owners and lenders who are early movers in this initiative should be rewarded, based in part on the number of jobs and the amount of economic activity their efficiency efforts generate. This will encourage others to catch-up. The State will also engage the property appraisal industry to urge them to increase transparency so that lenders and investors can more clearly see the value of more energy efficient buildings.

One reason this proposal is discussed in the “Business Climate” section is that the EEFC initiative will serve to reduce the cost of energy for *all* ratepayers, not just the particular businesses participating in the program. According to economic models used in the New York State Energy Plan, the effect of reducing energy demand by 15 percent from trend line levels by 2015 would result in a decrease in average wholesale electricity prices by 10 percent below the value they would otherwise be—a benefit of roughly \$4 billion annually to ratepayers given the forecasted level of energy purchases in New York State.<sup>15</sup> The new EEFC will provide a major boost in enabling New York to achieve this reduction in overall energy prices through “demand-side” management.

### **Controlling the Growth of Health Insurance Costs**

Health insurance is one of the largest expenses that many businesses face, so the fact that New York’s health insurance costs are among the highest in the nation seriously impacts the competitiveness of

companies located here. There are many reasons why health care costs in New York are so high, and reducing them will require a comprehensive approach. Later this year, Andrew Cuomo will release his *NY Health Agenda* that sets forth such a comprehensive plan to make health care more affordable in New York, while also addressing critical questions of access and quality of care.

One direct measure the Cuomo Administration will take to help protect businesses is to ensure that insurance carriers do not raise health insurance premiums beyond a level warranted by the risks they are insuring. Earlier this year, the Governor signed into law<sup>16</sup> a provision that restores the authority of the State Insurance Department to require “prior approval” of increases in health insurance premiums, a power the Department has long had for other forms of insurance. The Cuomo Administration will vigorously utilize this new authority to protect businesses and consumers, while making sure that the ability to control premium increases is not used to sweep under the rug the underlying problem of the

uncontrolled growth in costs in the health care delivery system.

## **Reducing Regulatory Burdens**

New York State must also address the unduly burdensome regulations that make it difficult and expensive to build or grow a business in New York. In some cases, this involves the substance of the regulation, but in many others cases the biggest problem is the inflexible manner in which regulations are enforced and the extended delays in getting answers to questions and permits issued. The Regional Councils described below will bring together representatives of all State agencies that have an impact on economic development to produce a more responsive and coordinated approach to the implementation and enforcement of regulations affecting business. This process will ensure that the State is able to protect health, safety and the environment without unnecessarily hampering job creation and economic growth.



# 3

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## Forge a New Economic Development Paradigm: Regional Economic Development Councils

**W**hen it comes to economic development, New York today is *less* than the sum of its parts. We have a central economic development bureaucracy that is not close enough to the diverse regions of New York State to be nimble and responsive to their particular needs, but at the same time fails to connect the assets of these regions with each other in a way that can make New York *more* than the sum of its parts. These shortcomings in our economic development efforts disproportionately hurt Upstate New York, both because those regions are not geographically close to our central economic development bureaucracy that is headquartered in New York City and Albany, and because so much economic activity occurs downstate

without being effectively connected to the Upstate region.

Because New York cannot successfully pursue a one-size-fits-all approach to economic development, New York's economic development strategy must reflect a bottoms-up approach that both reflects the particular needs of each region, is fully integrated with all of the economic development stakeholders in the region, and is closely to other regions in the State so that the whole becomes greater than the sum of its parts. The starting point for this effort will be to establish ten regional economic development councils ("Regional Councils") that represent a public-private partnership to develop and execute effective long-term economic development strategies. The Regional Councils will coordinate economic development efforts in their region in partnership with business, local public and private economic development organizations, institutions of higher education and other stakeholders. The Regional Councils will be empowered to cut through the Albany bureaucracy so we can get things done. All the State agencies that impact economic development, including DEC, DOT,

NYPA and Ag and Markets—as well as ESDC as the lead agency—will be represented on the Regional Councils so we can break down bureaucratic silos and have the State speak with one voice. Bob Duffy, as an Upstate leader with a record of working to improve the Rochester and Western New York economy, will serve as the Chair of the Upstate Regional Economic Councils.

These Regional Councils will counteract the bureaucratic hurdles created by our highly fragmented economic development structure today. Currently, New York’s economic development efforts is balkanized across as many as 28 separate agencies<sup>17</sup> and hundreds of other public entities with economic development missions, including more than 600 local development corporations,<sup>18</sup> 115 local industrial development agencies,<sup>19</sup> 72 local Empire Zone boards,<sup>20</sup> 50 business improvement districts,<sup>21</sup> 49 urban renewal agencies and community development agencies<sup>22</sup> and 10 regional planning councils.<sup>23</sup> Moreover, within this multitude of agencies, departments and authorities are countless

economic development incentives that fragment the process further.<sup>24</sup>

<b>New York's Balkanized Economic Development System</b>	
Government Agencies	<b>28</b>
Industrial Development Agencies	<b>115</b>
Local Development Corporations	<b>618</b>
Empire Zones	<b>72</b>
Business Improvement Districts	<b>50</b>
Urban Renewal Agencies	<b>49</b>
Regional Planning Councils	<b>10</b>

### **Ensure the Personal Commitment of the Governor and Lt. Governor**

The personal commitment of the Governor is essential to revitalizing New York's economy. As Governor, Andrew Cuomo will ensure that all of the State's economic development efforts are kept on the front burner of government and well coordinated not only with each other but with other parts of State government that impact economic development. He will be personally committed to the task of convincing

companies to locate, remain and grow jobs in New York State. Because the economic situation of Upstate New York is particularly perilous and requires the greatest involvement of State government, Andrew Cuomo will make Lt. Governor Bob Duffy his personal representative to drive economic development initiatives that affect Upstate New York. Too often, we have heard stories of a business locating in another state because its governor called and made a personal pitch for the business to locate there, while New York was represented only by an anonymous appointee who couldn't present the same prestige or level of credibility. That's a story that won't be told during a Cuomo administration—because it won't happen on his and Lt. Governor Duffy's watch.

### **Base a Regional Strategy on the Specific Industry Clusters in Each Region**

Each of the State's regions is different. For example, there is a very strong cluster in the trade and logistics sector in Buffalo that does not exist, to

the same degree, in the rest of Upstate. In the Syracuse area there is a strong cluster on high tech defense work related to long distance sensors. In the Albany/Saratoga area there is a strong cluster in computer chips. In much of upstate there are clusters in agribusiness, but even these sectors vary. To be successful, New York's economic development strategy must be based on a bottom-up approach that both reflects the particular needs of each region and includes all of the economic development stakeholders in the region.

Decades of economic development research and experience support the conclusion that the best economic development strategy is one that is based on capitalizing on the existing strengths of a region, awards grants and funding through a competitive process, and closely monitors performance to maintain accountability. As Secretary of the U.S. Department of Housing and Urban Development ("HUD"), Andrew Cuomo developed national expertise in using this approach, which was embodied in the *Empowerment Zones* program that used tax incentives and targeted federal grants and

loan guarantees to spur economic growth in a particular region or neighborhood. By the end of his tenure as Secretary, HUD's economic development programs had created or maintained hundreds of thousands of private-sector jobs across the country.

The essential ingredient of the Empowerment Zones strategy was that it used public-private partnerships to spur development and job creation.

As Vice President Al Gore said,

Empowerment is not a top-down program, but a bottom-up solution. It doesn't depend solely on the private sector, but it doesn't ignore the market's power in forging solutions. It doesn't rely on government exclusively, but it doesn't neglect government's role either. Instead, empowerment changed the mission of government. It holds that governments are more like hardware stores than master builders. We don't tell people what they must build and force them to do so according to our rigid, one-size-fits-all blueprint. We simply give people the tools to do it themselves.<sup>25</sup>



***Decades of economic development research and experience support the conclusion that the best economic development strategy is one that is based on capitalizing on the existing strengths of a region, awards grants and funding through a competitive process, and closely monitors performance to maintain accountability.***

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## **Develop Regional Councils and Regional Strategic Plans**

The organizing principle for this strategy will be the creation of roughly ten Regional Councils that will engage all economic development stakeholders in the region. Each Regional Council will be chaired by the Lt. Governor and led by the Regional Director of ESDC, and will also include representatives of the Departments of Transportation, Environmental Conservation, Labor and relevant other State agencies depending on the region (e.g., Agriculture and Markets or the New York State Power Authority), the private business marketing enterprise in the region, public and private higher education institutions and key local economic development officials. The first

task of these Regional Councils will be to develop a long term strategic plan for the region based on agreement among key stakeholders about the economic development assets and related priorities for the region. Each area should establish for itself, working with the State, a set of clusters of importance to its economy. Scarce economic development resources should be targeted to these clusters. Opportunities in other non-prioritized areas must be treated as of secondary importance. In many cases, there may be a consensus on that strategy based on the Regional Blueprints that each region developed a few years ago, in which case the Regional Council can focus exclusively on execution of that plan. In other regions, the stakeholders may want to chart a different course. The Regional Councils will meet on a regular basis and convene the larger group of stakeholders at least once a year.

## **Empower Regional Councils by giving them Control over One Third of Economic Development Funds**

Speed to market is critical, and New York loses many opportunities because our economic development bureaucracy cannot make decisions quickly and speak with one voice. In order to make our economic development programs nimble and responsive, the Cuomo Administration will place one third of economic development funds under the control of the Regional Councils so they can quickly make decisions based on their local knowledge of the best opportunities within the region, while reserving two thirds of economic development funds for competition between regions to ensure that the largest opportunities Statewide have sufficient funding.

## **Competition for Economic Development Dollars: Regional Plans will be Measured and Aid Awarded Based on Performance**

Andrew Cuomo will base economic incentives upon performance to the maximum extent possible. The one third of economic development funds under the control of the Regional Councils will involve competitions within that region, while the two thirds of economic development funds will be subject to competition between regions, so the best opportunities Statewide will have sufficient funding. This will help create a culture of competition and performance-based decision making.

## **Provide Connections to Other Regions of the State**

A regional approach to economic development *must* include an effort to capitalize on connections between regions to find synergies among related industries and other economic assets in different regions. In addition to connecting all of the stakeholders within a region pursuant to the regional planning process, the State needs to facilitate

connections between companies, universities and labor force in one region with the companies, universities and labor force in other regions of the State. As an example of connections between regions, the State should be connecting the financial services industry in New York City with the business process outsourcing industry in Buffalo. There are also many examples of related industry clusters in different regions benefitting from working with each other, such as connecting the Micro-Electro-Mechanical Systems cluster in Rochester with the Nanotechnology cluster in Albany.

### **Support Regional Business Marketing Efforts**

Marketing and business attraction efforts must be a part of the state's economic development efforts. The Cuomo Administration will make the private not-for-profit regional business marketing entities—such as Rochester Business Enterprises, CenterState CEO in Syracuse and the Long Island Association—and local governmental economic development organizations full partners in these efforts, since

organizations have a deep understanding of the needs of businesses in their regions and a mission to expand economic development there. The Regional Councils will serve as a forum for ensuring that the marketing functions of the State and these private enterprises are closely coordinated, so that site locators and companies understand that the State is speaking with one voice when it comes to its marketing efforts.

### **Streamline the Process by which Grants and Other Payments are Made**

The process for obtaining an economic development grant involves multiple steps, including multiple approvals by the ESDC staff and Board. Certain grants are not finally approved by the ESDC Board until the applicant has met, at least, the initial performance milestones. The application process can take up to a year, and then produces only a non-binding letter of intent. The applicant must then undertake its investment and only when a certain level of performance has been reached will the ESDC Board consider the application for final approval.

Once approved, the process of receiving funds is similarly convoluted. The entire process can take three years before funds are received. This process must be streamlined to make New York more competitive.

The State will create metrics to measure the length of time it takes from initial contact, to application, to final approval, through to final funding. Among the other changes that the State will consider establishing is an electronic payment drawdown system similar to that used by HUD and other federal agencies. Once a grant is approved, funds are transferred through an electronic request system and are usually available in a grantee's bank account within 24 or 48 hours.

### **Promote International Trade**

Despite New York's heritage as a great trading capital of the world, the State does not pay sufficient attention to our international trade potential. A recent report by the Brookings Metropolitan Policy Program stated that exports support 1.9 million jobs

in the Great Lakes region of the United States. The Great Lakes Region has some of the highest dollar volumes of exports and has the greatest reliance on exports of any of the large metropolitan areas in the nation. The upstate regions of Buffalo-Niagara, Rochester and Syracuse are more export intensive than the nation, have a growing base in the export of services with Buffalo-Niagara showing a growth of 55.8 percent over the five year period of 2003 to 2008, which exceeds the average growth rate of the top 100 metros and of the United States as a whole. It is estimated that 8.6 percent of all jobs in the Buffalo-Niagara region (47,900), 11.5 percent of the jobs in Rochester (60,300) and 9.3 percent of the jobs in Syracuse (30,400) are export related. These are more than the national average and more than the average in the top 100 metro areas.<sup>26</sup>

New York State must actively develop and pursue policies of engagement with Canada at the provincial and national level. As part of this process, the Governor and Lt. Governor will undertake trade missions to Canada to establish ongoing relationships with our most important trading partner. Obstacles to

trade, commerce and tourism must be overcome and aggressive programs should be put in place to maximize current and future opportunities.

### **Create Performance Metrics to Measure Progress and Maintain Accountability**

Private business relies heavily on performance metrics to improve their operations and closely analyzes the “ROI” of every investment. New York needs to integrate both of these principles into every aspect of our economic development policy. We should implement clear operating metrics for execution of our economic development process, including the period of time it takes to evaluate and implement proposals. We should benchmark between regions and set targets based on best practices. For example, as described under “Small Business” below, the Finger Lakes region accounts for approximately 30 percent of the total usage of the State’s Linked Deposit Program even though there is nothing in that region that would make usage of the program unique.

The need to objectively track, measure and analyze the “ROI” of various State programs is perhaps of even greater importance. The State simply does not have enough money to invest in every kind of program or project that could result in job creation and economic development. The need for this analysis is crucial to the success of a regionally based economic development strategy, so that we can see more clearly what is working in some regions and not in others. This analysis should include both targeted tax credit incentive programs and economic development grant programs. Today, the Division of Budget uses a “static” scoring method that assumes there is no return to the State in terms of incremental tax revenue from any of these programs—as it should since there are no rigorous, objective analyses of which of these programs actually work in producing jobs and investment that increases tax revenue. Given the State’s fiscal straits, it is imperative that we have a better understanding of what works in economic development, and what does not.



# 4

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## **Targeting Incentives to Get New Yorkers Back to Work and to Attract, Retain and Expand Jobs**

**T**o revitalize New York's economy and create jobs, New York needs a strong business climate that makes competitive and an effective regional economic development strategy and State bureaucracy to implement our plans. In many cases, however, New York will also need additional incentives to compete with other states and countries to attract companies to New York and keep jobs here. Especially because of the deep budgetary constraints New York faces, these incentives must be carefully targeted so that we do not waste precious economic development funds.

## **Targeted Tax Incentive Programs**

New York's tax credit incentive programs over the last decade have been poorly targeted and resulted in not using efficiently a large portion of the limited funds the State has available for economic development. Indeed, in many cases these programs were compensating for New York's poor business climate, including high property taxes. We must replace these poorly targeted tax incentive programs with programs that are more directly related to the State's and each region's economic development strategy.

### ***A New "Jobs Now" Tax Credit for the Unemployed***

At the same time that we are implementing a long-term strategy for economic development, we cannot ignore the fact that almost one out of every six New Yorkers is either unemployed or

underemployed. Therefore, the Cuomo Administration will work with the Legislature to enact an emergency two year \$300 million “Jobs Now” tax credit program to encourage employers to hire unemployed New Yorkers. Any business that increases its employment by providing a full-time job a New York resident who has been unemployed for at least sixty days and keeps that person employed in the job for at least one year will receive a refundable tax credit equal to the employer portion of the payroll tax for that worker, up to a maximum credit of \$3,000 per worker. Based on metrics developed by the Economic Policy Institute<sup>27</sup>, the “Jobs Now” tax credit would create over 165,000 jobs over two years.<sup>28</sup> Given the prolonged period of high unemployment we are experiencing, providing jobs for New Yorkers must be the overriding priority of NY’s economic development efforts as a first step in our overall economic development plan.



***Based on metrics developed by the Economic Policy Institute, the “Jobs Now” tax credit would create over 165,000 jobs over two years.***

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***Fix the Recently Enacted Excelsior Tax Credit Program***

New York State this year allowed the State’s Empire Zone tax credit program and replaced it with a new, more targeted program called the Excelsior tax credit program. Two-thirds of the more than \$500 million in annual subsidies under the current Empire Zone tax credit program have gone to real estate development, utilities, retail and professional services firms—types of businesses that are “anchored” to New York irrespective of this kind of tax incentive.<sup>29</sup> As recent news reports have highlighted, the program was subject to significant abuse and the State was right to let it expire.

Unfortunately, the Excelsior tax credit program that replaced the Empire Zone program is so broken that in the opinion of many local economic

development officials, it won't create a single job, but will waste money by giving credits to companies that would have located or expanded in New York without these tax credits. Here are some of the changes the Cuomo administration will make: First, the Excelsior program offers a tax credit per job of \$2,500-5,000 per job for five years. As Andrew Cuomo proposed in the *New NY Agenda*, we will give qualifying businesses a tax credit equal to 100 percent of income tax receipts the State will collect from the companies' new employees for a period of ten year. Second, The Excelsior program provides property tax credits based on the value of the property *before* it is improved by the company's new investment—thereby producing very little benefit. We will base the property tax credit on the value of the property *post-improvement*, that is, after the investment. Third, Excelsior doesn't pay any credits until *all* of the promised jobs are created, even if it's a multi-year job-creation program. We will pay credits as soon as interim milestones are achieved. Fourth, Excelsior promises new R&D tax credits, but makes them unavailable if the company is taking advantage of

other New York State R&D tax credit programs. We will eliminate this limitation and expand R&D tax credits. Fourth, we will streamline the application and approval process. When businesses are choosing whether to locate in New York or other states, New York economic development officials need to be in a position to make commitments *promptly* regarding the availability of tax benefits.

### ***Strive to Keep Prior Commitments***

As a stop-gap measure to close this year's budget gap, the State took the extraordinary measure of deferring the payments of tax credits to a wide range of businesses that had made decisions in reliance on receiving these credits. This was the equivalent of borrowing the amount due under these credits from these businesses, yet the State will pay no interest on the monies deferred. A country that devalues its currency may have a short-term gain, but runs the risk that investors will not trust its currency in the future. New York is now in a similar position and must take steps to assure the businesses that this

deferral will not be extended again into the future. Moreover, when the State does pay businesses the funds owed under these tax credits, it should include interest for the period of time the State has used this money. Only in this way will New York be taken seriously when it offers to use tax incentives to attract and retain jobs.

Because of the great importance of Historic Preservation Tax Credits to the revitalization of downtowns—especially Upstate—the State will immediately end the deferral of payments of Historic Preservation Tax Credits.

### **Targeted Economic Development Grants**

Creating a good business climate so that businesses can be competitive and maintaining effective tax incentive programs are crucial to job growth and economic development. But in many cases the State can and must do more if we are to maximize New York's ability to attract and retain jobs. A key element of our comprehensive *NY Works Agenda* is a program of strategically targeted

economic development grants. These strategically targeted grants should replace the vast sums of legislatively directed capital spending that too often represents politically expedient pork rather being part of an integrated regional economic development plan. The Cuomo Administration will offer three distinct types of economic development grant programs. The “Revitalize NY’s Economy” program will provide grants for economic development investments that do not consist of either company-specific grants or grants to further the growth of a high technology industry cluster. These will be competitive capital grants for such projects as preparing shovel-ready sites, repurposing of unused manufacturing and other facilities, creating vibrant downtown commercial areas and other job-producing projects. The “Strategic Companies” program will provide funds to the Regional Councils and the Governor to “close the deal” on company-specific projects that are strategically important to regional industry clusters. The “Innovation Economy” program will provide support specifically to consortiums of higher education and industry that

are creating a “next generation” of jobs in industry clusters that rely heavily on commercializing university-based research.

### ***“Revitalize NY’s Economy” Grants***

The “Revitalize NY’s Economy” grants will be a competitive program that can cover a range of projects that will lead to job creation and commercial activity. These grants could be used for the following types of projects, among others:

- Revitalizing blighted downtown areas to make them more attractive to business;
- Developing shovel-ready sites for a manufacturing facility, repurposing unused or underutilized factories or other commercial buildings to attract new employers, and infrastructure improvements needed to support industrial expansion; or
- Supporting an industry sector, such as agriculture or tourism, that is vital to a region but not tied to research and development.

By making this a competitive program, the State will ensure that limited dollars are spent on projects that

will have the greatest impact on the economy of a region. The criteria for success should include whether and to what extent the proposal:

- In the case of a revitalization project, whether it advances a strategic objective of the local revitalization or urban development plan as a clearly defined “project” (rather than just dealing with a series of unrelated buildings) that improves the area in a way that that will attract commercial activity, business and jobs;
- Leverages financing from other sources, including private investment, federal funding or matching funds from other governmental entities in the region;
- Creates a specific number of jobs within a reasonable period of time; and
- Capitalizes on an existing pool of human capital in the region

### ***Strategic Companies Grants***

New York is in a national and global competition for companies and jobs. Our main weapons in that competition are creating a business climate that enables New York companies to be cost competitive with our neighbors and offering targeted

tax incentives for certain businesses that are not “anchored” to New York in return for their agreeing to locate in New York or expand jobs or make investments here. In some cases, however, additional direct incentives may be needed to induce companies to locate or expand in New York. We need to have in the arsenal of the State and its Regional Councils a limited pool of discretionary funds to close the deal with certain “strategic companies”. As with other economic development programs, the grant will be subject to a clawback provision in the event the recipient company fails to create the jobs and/or investment promised. In addition, businesses receiving these Strategic Companies grants must be of real importance to the region in question as reflected in the Regional Council’s strategic plan.

### ***Innovation Economy Grants***

As discussed in the next chapter, the Administration will create a broad program designed to foster technology transfer and commercialization of university based inventions. The State will also

provide economic development capital grants as part of a competitive program to support the growth of high technology clusters that emerge from consortiums of higher education and industry. These will not be grants to specific companies, but rather to centers of joint activity that a range of companies large and small participate in. In nearly all cases, these centers will leverage university-based research that is being commercialized by the companies in this industry cluster. The process for these Innovation Economy Grants is described in greater detail below.

# 5

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## **Make Higher Education a Jobs Generator: Higher Education-Industry Partnerships**

**T**he Regional Councils described in “Attracting and Retaining Jobs” will help to coordinate the efforts of State government in attracting, nurturing and retaining businesses of all sizes to New York. There is a specific set of businesses, however, where the involvement of government requires a special set of policies. These are the companies that rely heavily on hard science and research and development to achieve a competitive differentiation and advantage. In most cases, the technology or science on which these businesses are founded emerges from the laboratories of academic research institutions. New York’s public and private colleges and universities help the State rank second nationally in total R&D expenditures, yet New York lags other states in

ensuring that promising research is converted into new products, businesses and ultimately jobs.<sup>30</sup> To win the global competition for these businesses, the State must develop a comprehensive strategy for commercializing these inventions and recruiting and retaining the businesses built on this research.

This comprehensive strategy should follow two related tracks, both of which involve creating partnerships between institutions of higher education and private industry: First, an ambitious “technology transfer” program for connecting university researchers with the entrepreneurs and venture capitalists who know how to turn their inventions into commercial products, and their commercial products into companies. Second, for the largest market opportunities, the State must connect major companies with our leading research universities to create significant new clusters of economic activity in the sectors of this research and commercialization.

## **Technology Transfer**

At both the national and state level, policymakers have created programs to spur the transfer of knowledge created and refined in the university setting to new and existing firms that can create commercially viable products from that knowledge. New York possesses all the ingredients needed for this type of science and technology-based innovation strategy to succeed, namely:

- An intellectual infrastructure, i.e. universities and public or private research laboratories that generate new knowledge and discoveries;
- Mechanisms for transferring knowledge from one individual to another or from one company to another;
- Physical infrastructure that includes high quality telecommunications systems and affordable high speed Internet connections;
- Highly skilled technical workforce; and
- Sources of risk capital.<sup>31</sup>

Although New York possesses all of these assets, one challenge is that these elements are dispersed across the State's landscape. Our geography impedes "one-stop shopping" of the kind that investors and firms can find on Sand Hill Road in California, or along Route 128 outside of Boston.

Another challenge is that while a number of colleges and universities in New York State actively pursue commercialization, but few institutions of higher education in New York State can support campus-based technology transfer offices with the staff and budget needed to nurture inventions that are not yet ready to be licensed. As a result, the State must actively work to foster the creation of an effective infrastructure to support technology transfer so that faculty inventions from all corners of the state can be appropriately developed. The Cuomo Administration will do this by implementing policy proposals (involving capital, culture, collaboration and entrepreneurial partnership) that leverage modest state funds, the convening power of State agencies and the leadership of the Governor.

## ***Capital***

New York's support for programs that expand access to early-stage capital for the commercialization of advanced science and technology research is critical.

- **Cultivate alumni angels.** “Angel” investors often provide an essential funding bridge once seed funding from friends and family is exhausted. For example, Cornell University sponsors a group for its alumni who want to invest in emerging businesses.<sup>32</sup> So, too, does the University of Pennsylvania’s Wharton School.<sup>33</sup> The National Science Foundation funds the National Council of Entrepreneurial Tech Transfer to provide support for establishing university angel groups.<sup>34</sup> The State will work to connect New York colleges and universities with that effort, as well as expand investor education about university-based research.
- **Create a New Technology Seed Fund.** Establish a New Technology Seed Fund to provide funds for entrepreneurs who want to develop and market university-based research ideas. This initiative, originally proposed in the New York State Executive Budget for SFY 2010-11 but not enacted, drew praise from

higher education as well as representatives of emerging industry clusters.<sup>35</sup> As with the Bio-Accelerate NYC fund managed by the NYC Partnership, investment decisions should be made by venture capitalists with expertise in the particular sector. Not only will this ensure a level of non-political and expert decision making, it will help to create a pipeline for these professional investors that will help secure institutional financing as the product or business matures.

- **Eliminate the Capital Gains Tax on Investments in Start-Up and Early Stage Companies.** In order to encourage investments in innovation and entrepreneurs, we will eliminate the State capital gains tax on investments in start-up and early stage companies.
- **Leverage federal research grants.** Offer matching dollars for selected federal research grants that meet the test of applied research. Establishing the threshold test of an award of a peer reviewed federal research grant will help to ensure that the project in question has a strong chance of success and serves to insulate the State's decision making process from undue political influence. These matching State grants should be made on a competitive basis to ensure that available funds are concentrated on the most promising ideas.
- **Expand what works.** Leverage the Common Retirement Fund's In-State Private Equity

Investment Program to establish university-focused venture funds.<sup>36</sup>

- **Leverage tax incentives.** To the extent permitted given budget conditions, enact a research and development tax credit for firms that engage in sponsored research or other collaborative projects with colleges and universities in New York State, perhaps by expanding upon the Qualified Emerging Tax Credit. Requirements should align with existing federal tax policies so that firms do not face challenges in understanding whether they qualify, and which products or processes might qualify. Such a credit would encourage companies to establish ongoing relationships with university researchers and research centers.

### ***Culture***

A culture of entrepreneurship is critical to the success of commercialization of university research.<sup>37</sup>

The Cuomo Administration will work to instill this culture of entrepreneurship both through leadership from the Governor on down, and by adopting the following measures:

- **Celebrate commercialization.** The intangible factor of signaling that the Governor and the rest of State government

are focused on and place value on entrepreneurship as a key element of academic research will set a tone that these efforts are a vital part of the future of the State. These efforts can range from small gestures to larger public events where university presidents and industry and governmental leaders gather to celebrate success.

- **Be Fair in Sharing Rewards.** When researchers perceive that an institution's intellectual property policies fairly share the rewards of commercialization, they are more inclined to focus on this as a core activity. The Cuomo Administration will seek the support of college and university academic officers to ensure that such policies are fair and that all faculty researchers are familiar with their institution's commercialization policies.
- **Prime the STEM student pipeline.** Encourage more students to enter science, technology, engineering, and math ("STEM") fields to support our research capacity going forward. Develop or brand an "Internships.com" like application or website that has New York-specific data. Send a welcome letter to every college student inviting them to look for work in the Empire State, with a link to the site. Create tax incentives for retaining

graduates. Provide matching dollars for company-backed internship programs.

### ***Collaboration***

Only about six in 10 colleges and universities realize revenues that exceed costs for their technology transfer operations.<sup>38</sup> To maximize access to technology transfer and commercialization resources, the State will encourage a “communities of practice” model that will draw the state’s colleges and universities into closer collaboration on technology transfer and commercialization efforts.

- **Foster commercialization social networks.** Create a bridge among graduate students, faculty researchers and potential industry collaborators to ensure a mutual understanding of the relationship between campus-based research with market-specific scientific and technological problems. Leverage social networking websites and organizations such as TechCrunch to bring potential sources of capital (angel investors, venture capitalists) into contact with entrepreneurs who are seeking to commercialize university-based inventions.

- **Extend capacity.** Use State offices to create a shared infrastructure to better support commercialization efforts, including developing agreements under which institutions with higher levels of experience and sophistication in technology transfer could effectively “adopt” other campuses. Create the equivalent of extension agents or “circuit riders” to provide technology transfer support to campuses for which investing in a full set of programs and services would not make sense.<sup>39</sup> This could be done geographically, but perhaps instead by discipline, recognizing the extreme differences in the needs of disparate disciplines and industries.
- **Bring in the big guns.** Invite college and university presidents to participate in industry/firm attraction.

### ***Entrepreneurial Partnership***

The most successful models of fostering commercialization of university-based research recognize that a faculty researcher is not typically the right person to be the entrepreneur who will be able to create a successful business. These models seek to match researchers with business-oriented

entrepreneurs who can take an important discovery or invention and turn it into a real business. One of the more successful examples of this approach is a group called Jump Start Inc., which was formed in 2004 by civic and community leaders in response to the economic decline of Northeast Ohio. Jump Start's primary resource is intensive entrepreneurial assistance delivered by former successful entrepreneurs—most of them serial entrepreneurs who have started multiple new businesses. These entrepreneurs become directly involved in managing start-up companies until the point at which the company is able to raise capital from private investors and recruit a capable management team.

Jump Start has invested about \$4 million annually in high-potential, early-stage companies and offers veteran entrepreneurs to help guide their growth. Jump Start recently was awarded an additional \$4 million from one of the State of Ohio's economic development agencies for operations and investment and an additional \$1.8 million to build up its bioscience and entrepreneurial network. In June 2010, Jump Start received a federal grant of \$1.5

million to expand their operations beyond the Ohio region.

As part of the *NY Works Agenda*, the Cuomo Administration will create a program similar to Jump Start that provides entrepreneurial mentorship to research-based start-up companies.

### **Research Based University-Industry Consortiums**

Technology transfer and commercialization efforts plant the seeds of emerging products and businesses. A different kind of effort is required to make New York the location of choice for large-scale economic activity in industries that rely heavily on scientific and technological research and development.

Since the creation of Silicon Valley based on research from Stanford University and the University of California at Berkeley in the 1950's, a number of similarly successful research university-driven high-tech economies have emerged in the U.S. These include the Research Triangle Park in North Carolina, which is driven by the three research universities

located there; Austin, Texas, whose success is tied to the University of Texas at Austin; and Boston, as a result of research conducted principally at the Massachusetts Institute of Technology and Harvard University. The economic strength of each of these regions is the direct result of the creation of a comprehensive university-based research infrastructure which includes state-of-the-art research and development, pilot prototyping, workforce training and economic outreach to industry.

New York has one major success story from the State's efforts in this area: the Nanotechnology innovation and industry cluster that stretches from the IBM Hudson Valley Research Park in East Fishkill, through the Albany NanoTech Complex that is part of the State University at Albany College of Nanoscale Science and Engineering ("CNSE"), to the massive Global Foundries computer chip fabrication plant under construction in Saratoga County. This Nanotechnology cluster already accounts for nearly \$1 billion annually in salaries and wages and is expected to create or retain more than 20,000

nanotechnology jobs across New York State (representing more than \$2.5 billion in salaries and wages) by 2015 when the Global Foundries plant reaches full utilization. The State's involvement was an indispensable ingredient in the creation of this major new industry in New York State.

New York has the opportunity to nurture the development of similar consortiums of higher education and industry in other industry sectors that rely heavily on research and development and commercializing university-based research. A new program of Innovation Economy capital grants will help support these efforts. The Innovation Economy grants will be issued through a competitive process so that it does not devolve to crony capitalism or pork barrel politics. The Cuomo Administration will put into place a clear set of guidelines and base its funding decisions on considerations of science and business opportunity, not politics. Within these guidelines, we will look to the industries where New York is best positioned to succeed because of its existing assets in human capital, research and industry leadership. These industries include life

sciences, renewable energy and other cleantech technologies, and telecommunications.

While the exact guidelines for an ambitious program of this nature will be developed in the first six months of the Cuomo Administration, the following are some of the criteria that should be considered:

- State funding should only be directed towards major science and technology areas in very large economic markets, such as nanotechnology, biotechnology, renewable energy, cleantech and telecommunications. Although commercialization, not basic research, is what the State is interested in, there may still be complementary federal research efforts which could leverage our State investments.
- The allocation of funding must be driven by purely merit-based objective factors that include : (a) a research campus with the demonstrated level of intellectual, entrepreneurial, and physical assets in the corresponding science and technology area of interest; (b) an institutional commitment at the highest levels to evolve the particular science and engineering sector into a stand-alone academic discipline within the university; and (c) an industry cluster with

a competitive potential for retention and expansion in the same science and technology area.

- The individual university-based consortium must have an implementation strategy that enables integration of the skills and resources from as many academic institutions across the state as possible. In addition, the economic development blueprint must allow regional economies and associated industry clusters across the entire state to interact with and benefit from the intellectual and physical resources of the main university-based consortium.
- All state funding should be provided on the basis of a minimum match of approximately \$5 of private and federal funding for every \$1 of State funding.

The goal of the Innovation Economy grants will be for the State to help create a critical mass of economic activity, after which new investment will be self-sustaining and not require additional governmental support beyond that which is provided to all companies in the State.

## **Support Higher Education's Role as a Jobs Generator**

New York's public and private colleges and universities are among the State's great economic, as well as educational, assets. The State must embrace a range of policies that recognize this vital role of higher education, including policies that ensure that SUNY and CUNY have sufficient tuition revenue to be a strong partner in economic development.

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This program of planting seeds for future growth through an aggressive technology transfer and commercialization effort while simultaneously working to create university-industry consortiums that hold the potential for creating major new centers of economic activity will put New York State in a leadership position in competing for the high paying jobs of the 21<sup>st</sup> Century economy.



# 6

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## Training a Workforce for the 21<sup>st</sup> Century

New York State's workforce development systems have failed to keep pace with the transformation in the level of skills demanded by today's job markets. This is true both in terms of how we prepare young people to enter the workforce and in managing the ongoing workforce development needs of those in the workforce for many years whose skills are not well matched for today's jobs. President Clinton recently described this skills-gap as a primary factor in sluggish jobs growth,

(T)he biggest problem [in unemployment] is a skills mismatch. The jobs that are being opened don't have qualified people applying for them. We need a system to immediately train them to move into that job....There are five million people who could go to work tomorrow if they were trained to do the jobs that are open, and the unemployment rate in America would

immediately drop from 9.6 to about 7 percent....<sup>40</sup>

Traditional workforce development models have allowed every sector of the economy with a stake in workforce development - from educators to government agencies to the business community - to operate in largely autonomous orbits. The result, as described by the National Governor's Association, is that employers confront growing shortages of adequately prepared workers, yet high turnover rates discourage many businesses from making major investments in employee education and training. Low-skilled workers experience declining wages, yet they lack the skills to secure better jobs and the resources to obtain higher-level skills.

The critical role of New York State government, including all of its educational institutions, in building the foundation for a strong and versatile workforce cannot be overstated. In order to meet the workforce development challenges of today's economy, the State must maintain a sharp focus on these strategies:

- Merging the workforce development and economic development functions of government to create systems that align the needs of high-growth employers with our job-seeking residents according to regional business demand;
- Recognizing the essential role of education and literacy as the foundation for a strong, versatile workforce;
- Emphasizing the critical role of youth employment in building the workforces of tomorrow; and
- Making On-the-Job training partnerships a priority.

### **Integrate workforce development and economic development functions**

Workforce development programming across the nation has historically focused on the “supply-side,” with efforts primarily driven by the needs and skill sets of work-ready job candidates. However, many governments across the country have found that the most effective approach is one that is demand-driven, focuses on regional economic

engines with the greatest likelihood of economic impact, and tailors educational and workforce development programming to meet the current and future workforce needs of employers in high-growth industries. New York must adopt this “demand driven” approach and coordinate the efforts through the Regional Councils that bring together all the key stakeholders in a region that play a role in economic development and job creation.

Massachusetts, Pennsylvania, Michigan, Illinois and Ohio, as well as New York City are all employing this demand-driven approach that integrates workforce development with economic development. Here are a few examples of how these programs work:

### ***Michigan***

Michigan’s Regional Skills Alliances (“MiRSA”) program, which began in 2004 and completed its first round of projects in 2007, serves as Michigan’s framework for driving workforce and economic development through regional partnerships between

employers, educators, government agencies, community leaders. As of early 2010, there were more than 30 regional consortia of employers, educators, economic development and workforce development experts operating as MiRSAs throughout the State of Michigan. These MiRSAs focus on promoting economic development and job growth and retention in industry areas which include: the construction trades, healthcare, manufacturing, forest and timber, and direct care. MiRSA grant applicants have the discretion to define their regional borders based on the location of industry, rather than on preexisting municipal or local workforce investment board (“WIB”) boundaries. Given that multiple industries exist within many workforce investment regions throughout Michigan, many local WIBs sit in more than one MiRSA, enabling a focus on multiple regional industries which have the greatest potential economic impact in their defined jurisdictional area.

## ***Pennsylvania***

The State of Pennsylvania has also merged its workforce and economic development functions in an effort to build strong workforces and attract and retain business activity within the state. *Job Ready Pennsylvania* works through defined regional and local industry clusters and employs a number of innovative tools, the most notable of which is the Pennsylvania Industries Partnership Program (“IPP”). IPP was established in 2004 as a mechanism to connect workers to in-demand jobs in growth industries. The IPP funds collaborative efforts among businesses, workforce development professionals, and educators in order to identify the workforce needs of targeted industries and to support the development and implementation of training programs to meet those needs. Currently, the IPP network includes nearly 6,300 employers across 20 industries which form a total of 74 partnerships. Since 2004, IPP partnerships have been responsible for training more than 73,000 workers.

The Michigan and Pennsylvania models both involved moving the workforce development function beyond traditional geographic boundaries and into a more formalized regional approach that is better suited to match workers with the job opportunities created by regional industry clusters. The effort to integrate New York's existing workforce development functions into a more formalized regional structure will have to take into account funding sources, whether local or federal, that may have geographic limitations for various reasons.

### **Use the Regional Councils to Coordinate the State's Efforts**

The Cuomo Administration will use the Economic Development Regional Councils to coordinate the efforts of the State's workforce development and economic development functions. These functions are now managed through a complex system of federal as well as State agencies, including the Department of Labor and the State Education Department, with the delivery of on-the-ground

services provided by innumerable agents, such as local Workforce Investment Boards (“WIBs”), One-Stop Employment Centers, county social services departments, and educational institutions including Community Colleges and Boards of Cooperative Educational Services (“BOCES”).

The process of coordinating workforce development efforts is further complicated by the fact that 28 different funding streams support workforce development activities in New York State.<sup>41</sup> These funding sources, many of which are federal, impose varying standards for program development, delivery and individual participation, and also operate on different fiscal calendars. While these factors present significant challenges to developing a model for a more consolidated and efficient approach to workforce development, these problems can and will be solved. The exact degree of integration of programs—as opposed to coordination of programs—will be addressed by the Spending and Government Efficiency Commission that Andrew Cuomo will appoint to review all the operations of State government. Clearly, however, the opportunity

exists to better align the efforts of the various agencies of government that are focused on workforce training and job creation activities.

### **Focus on Education and Literacy as the Building Blocks for a Strong Workforce**

The building blocks for a more skilled workforce in New York State must begin with an unyielding commitment to the educational and literacy needs of all sectors of our workforce, in both youth and adult populations. Statistics for educational achievement and literacy in New York State—from the dismal reading levels of many of our elementary schools students, to sobering high school graduation and dropout rates, to the bleak community college completion rates and assessments of adult literacy—all indicate that we are failing to provide the educational foundation necessary to bridge the growing skills-gap in our workforce. There is no doubt that literacy is the absolute prerequisite for finding good jobs in a skills-based economy, and

this will be a major focus of both educational and social service efforts of the Cuomo Administration.

### **Address the Critical Issue of Youth Employment**

The deterioration of national labor market conditions has accelerated the collapse of the teen job market across the country. Teen employment rates have been declining sharply since the fall of 2006, well before the national job market began to deteriorate.<sup>42</sup> As of June of 2010, the teen unemployment rate in New York was 25.7 percent, nearly three times the national rate of 9.5 percent.<sup>43</sup>

The negative implications of youth unemployment on long term success in the workforce are profound. The Center for Labor Market Studies cites the strength of “path dependency” in teen employment behavior, namely that “less work experience today leads to less work experience tomorrow and lower earnings down the road.”<sup>44</sup> While these path-dependency statistics apply across all educational levels and demographics, they are

especially pronounced for low-income and minority youth.

There are many models both within and outside of New York which attempt to address the interrelated goals of keeping our youth in school while simultaneously preparing them for the rigors of the emerging job market. As Governor, Andrew Cuomo will be an uncompromising force in promoting youth employment opportunities, through advocacy for funding, the creation of the strong public-private partnerships necessary to drive long-term commitments , and in supporting the expansion of programs which have demonstrated success in keeping kids in school and keeping them on the path to a productive adulthood, including:

### ***Dual Enrollment Programs***

The Cuomo Administration will seek to create dual enrollment programs that allow high school students to enroll in courses at community college with a goal of increasing postsecondary access and success, particularly for minority and low-income

students. These dual-enrollment programs are employed with great success and varying degrees of emphasis in 40 states across the nation, as well as in the CUNY system. In fact, in many states across the nation, the focus on dual-enrollment programming has evolved into such an essential educational tool that every high school student within the state is given the opportunity to participate.

CUNY's dual enrollment program, *College Now*, is collaboration between all 17 CUNY campuses and 240 of New York City's 425 public high schools. Serving more 32,000 students each year, or 11.1 percent of all of New York City's high school student population, it is the largest public urban dual enrollment program in the country.<sup>45</sup> The 32,000 students who participated in *College Now* in 2004–2005 enrolled in close to 56,000 different courses, workshops, or activities, and 80 percent of those students achieved a grade of C or higher in their credit-bearing classes. CUNY data also demonstrates that *College Now* alumni have higher rates of first-year retention in college.

### ***Mentoring & Work Readiness Programs.***

Mentoring and work-readiness programs have had good success in engaging young people with educational and skills-development support that reinforces their individual values and provides practical lessons about work in the “real world. The Hillside Work-Scholarship Connection (“HWSC”) in Rochester is one such example. In HWSC, school-based youth advocates handle a caseload of 30 at-risk students who may enter the program as early as 7<sup>th</sup> grade. The core mission is to assist participating youth develop the skills needed to graduate from high school, assess postsecondary employment and educational options, and the program requires participation in work-readiness programming, community service, and weekly enrichment sessions.<sup>46</sup> HWSC participants have consistently demonstrated increases in high school graduation rates, with more than 75 percent proceeding to postsecondary education, and an average of 80 percent of all graduates reported being employed after graduation.<sup>47</sup>

## **Invest in On-the-Job Training**

For both youth and adult populations, On-the-Job (“OTJ”) training programs are an invaluable tool for effecting new job placements and for creating the training opportunities which drive successful permanent employment placement, transitions and advancement. These programs are also a win-win for employers because they enable a training program tailored to individual business needs at significant cost savings. <sup>48</sup> DOL currently employs a number of OJT programs which match participating employers with qualified individuals who have been identified as needing specialized training. The Cuomo Administration will urge the Regional Councils to make OJT programs a priority in workforce training, including programs that specifically address inclusion of literacy skills training in conjunction with the OJT training experience, summer Youth Employment opportunities, and hiring hard-to-place workers.

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Collectively, these efforts will bring New York's workforce development efforts into the 21<sup>st</sup> century to meet the workforce needs of employers in high-growth industries in each of New York's diverse regions.



# 7

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## Address the Needs of Small Business

**N**ew York State's small businesses make up more than 99 percent of New York's private employers and employ 52 percent of the State's private sector labor force.<sup>49</sup> Nationally, nearly all net job creation in the United States from 1980 to 2005 occurred in firms that were less than five years old.<sup>50</sup> Although comparable statistics for New York are not readily available, the national trend almost certainly applies here as well. Nearly every part of the *NY Works Agenda* will benefit small business in some way, but these policies must be implemented and communicated in a way that takes the needs of small business into account. In addition, small businesses have particular needs that are of less significance to large companies. This chapter of the *NY Works Agenda* addresses a number of the most important of the initiatives that are of particular significance to small business.

## Enhance Access to Capital

Capital is the oxygen of business. If businesses cannot get access to capital to finance their operations, they will stagnate or die. Many economists argue that one reason our economy is weak and jobs are scarce is that many good businesses are being starved for capital. Small businesses have continually struggled to obtain the capital and credit necessary to sustain and expand operations, and this condition has only been

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***From 2006 through 2009, the number of loans to small business in New York State declined 54 percent; for loans under \$100,000 the decline was approximately 63 percent.***

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exacerbated by the financial crisis and economic recession of the last two years. The evidence of the decline in lending

is unmistakable, especially for small and medium-sized businesses. From 2006 through 2009, the number of loans to small business in New York State declined 54 percent; for loans under \$100,000 the

decline was approximately 63 percent.<sup>51</sup> A key element of the NY Works small business agenda is to get capital and financing flowing again to businesses—especially small and medium sized businesses that have limited financial reserves.

New York State currently sponsors a wide array of programs that are designed to assist New York’s small businesses in accessing financing. All of these programs leverage public money to support private lending or investment, and most include these private institutions as partners in program administration. Although some of these programs have had some success, on balance the programs are so scattered among multiple agencies that they are underutilized and not well known to their intended recipients.

***Expand the Role of Community Banks and Similar Institutions***

As noted above, nearly all of the State’s small business programs work with lending institutions as essential partners in program administration, but

small businesses are typically directed to ESDC Regional Offices and program-specific partners for information and assistance. In order to make these programs more widely known and available to small businesses, the State needs to expand and streamline the role played by community banks, credit unions and CDFIs (Community Development Financial Institutions) in promoting and administering these State small business incentive programs. The State's community banks and credit unions are uniquely poised and motivated to serve the small businesses in their communities, given that their success is dependent on more personal relationships with local residents and businesses, and have a vested interest in the success of local businesses, given that economic productivity in their immediate communities drives the "core deposits" which support the institutions' operations to a far greater degree than with larger commercial banks.

## ***Encourage “Second Look” Program***

As Governor, Andrew Cuomo will encourage all banks that operate in New York State to implement “Second Look” programs for rejected credit applications from small business. These programs are proving effective in increasing the flow of loans to small businesses. The “Second Look” approach was recently described in the *Wall Street Journal* as follows: “I don’t think of it as being looser [lending standards]. I think of it as making good judgments,” says Stephen D. Steinour, chairman, president and chief executive of Huntington Bancshares Inc. At the Columbus, Ohio, bank, a second-look program and separate effort to make more loans to companies that regained profitability after hitting a rocky patch have boosted the approval rate for small-business loans by 4.7 percentage points in the first half of 2010, when compared with the rate for all of 2009.”

## ***Enhance the State's Linked Deposit Program***

Perhaps the most important of the State's small business financing incentive programs is its Linked Deposit Program. Under the program, an eligible small business obtains a loan from a participating lending institution at a rate that is either 2 percent or 3 percent below the prevailing market rate. As consideration for the lending institution's agreement to offer the reduced interest rate, the State deposits funds with the institution in an amount equal to the loan principal at less than the prevailing interest rate for the deposit. The level of participation in the program varies widely. For example, the Finger Lakes region is one of 10 program regions in the State, but accounts for 30 percent of the projects financed and 30 percent of the funding issued through the Linked Deposit Program in 2009.<sup>52</sup> The State should identify the factors that make the program successful in the Finger Lakes region, and export these "best practices" to other regions in the State.

As shown in the chart below, the level of participation in various State lending programs today is low.

### **Lending Institution Participation in NYS Linked Deposit and Revolving Loan Program**

<b>NYS Small Business Lending Program</b>	<b># of partner/ providers</b>	<b># of CDFI partners</b>
<b>Linked Deposit Program</b>	72 banking institutions (mix of large/commercial and community-based lenders)	0
<b>MWBE Revolving Loan Fund</b>	12 CDFI's, Community Development Corporations and local chambers of commerce	5
<b>Regional Revolving Loan Trust Fund</b>	7 Chambers of commerce & multi-county partnerships	0
<b>(new) Small Business Revolving Loan Fund</b>	To be determined (RFP to CDFIs and community lenders)	t/b/d

### ***Permit Refinancing and Longer Terms***

As the credit markets have dried, refinancing existing loans is a major problem for many small businesses. New York's Linked Deposit Program does not permit refinancing; it must be changed to permit refinancing. States such as Kentucky that do permit

debt refinancing under similar programs have found it to be a valuable tool in assisting small business increase cash flow and navigating the current credit crunch. Numerous programs in other states also allow for longer loan terms, ranging from 5-15 years, enabling small businesses to benefit from reduced interest obligations over longer terms. New York State should extend the maximum term of its Linked Deposit Program loans beyond the current limit of four years.

### ***Create a Collateral Support Program***

The Linked Deposit Program is helpful in lowering the cost of borrowing, but because it does not alter the borrowers risk profile, it does not necessarily help a small business get credit approval in the first place. The goal of a “Collateral Support Program” is to help viable businesses that are struggling to get credit because the value of their collateral has fallen (due to depreciated plant and/or equipment value or commercial real estate values). In a Collateral Support Program, government deposits

with the lending institution are used to supplement insufficient borrower collateral in order to increase a small business's borrowing capacity.

The Michigan Collateral Support Program ("MCSP"), administered by the Michigan Economic Development Corporation, makes deposits to lending institutions of up to 50 percent of a loan's value, up to a maximum of \$2.4 million. That money serves as cash collateral for the loan and decreases as the loan is paid down. The loan recipient pledges to create jobs as a condition of the state's collateral support.<sup>53</sup> While employing a Collateral Support Program component in LDP would expose the State to a modest amount of financial risk, it would serve as a useful tool for viable businesses that nevertheless are starved for capital because their asset levels have fallen.

### ***Provide Portfolio Insurance Funding***

Loan portfolio insurance is another financing tool which can be employed to encourage lending institutions to make loans to small businesses that fall

just outside of most banks' conventional underwriting standards. California's Capital Access Program ("CalCAP") provides one model for State-sponsored loan portfolio insurance funding. Under CalCAP, the borrower is required to obtain a loan approval directly from the participating lender, and both the lender and the borrower pay an up-front insurance premium that, combined, generally ranges from 3-7 percent of the loan principal amount. The premium amount, which acts as the baseline loss reserve fund, as well as the interest rate and term for the loan is left to the discretion of the lending institution.

Once the state approves this loan as part of the CalCAP program, it deposits matching funds into the CalCAP loss reserve fund in an amount equal to the combined insurance premium paid in by the lender and borrower. The collective result of these deposits is the creation of a loan loss reserve fund within the lending institution, which fund can be utilized to cover any losses associated with CalCAP defaults, noting that the lender must absorb any losses over its accumulated CAP reserve fund. Under CalCAP, the

State ensures loans up to \$1.5 million and the ceiling on insurance premiums is \$100,000 per loan.

### **Connect Small Businesses with Government Incentive Programs**

The State has a number of grant and counseling programs for small businesses in addition to the financing incentive programs described above. Although information regarding these programs is available through various sources and websites, with the ESDC and “New York Loves Small Biz”<sup>54</sup> websites serving as the primary online information clearinghouses, users are required to drill down through each program description to identify those programs which might be suitable to their business development needs. For the State’s small and emerging businesses in particular, combing through the State’s incentive offerings is likely to be an extremely time-consuming and arduous process, and may result in lost opportunities for small businesses which lack the sophistication and resources to

identify the panel of programs which may be applicable to their business needs.

By creating an online incentive-matching tool, modeled after the Incentive Finder tool utilized by New York City that matches business profiles to incentive program criteria, the State can provide its small businesses with a means to steer through the entire portfolio of State small business programs in a thorough and highly efficient manner. Furthermore, once armed with this information, small businesses will be able to take a more active role in pursuing incentive programs as part of ongoing business planning and operations.

### **Create a New York State Business Express**

As noted in “Improving the Business Climate”, all New York businesses face challenges with navigating New York State’s regulatory landscape. These challenges are even greater for small businesses, since they have fewer resources to dedicate to applying for permits and filling out necessary documentation. As described in the New

NY Agenda, the Cuomo Administration will create a New York State Business Express similar to New York City's Business Express<sup>55</sup> project. This will be an online, "one-stop shop" for required permits and documentation for all state agencies. The site will easily guide and help a person start a business in New York State; apply online for new licenses, permits, and certificates; obtain a customized list of typical State requirements for any business and include the "Incentive Finder" discussed above.

### **Help Small Businesses Reduce Health Insurance Costs**

Providing health insurance to their workers is one of the largest expenses that many small businesses face. The Cuomo Administration will consider the needs of small business in all aspects of its health care policy, especially as it is impacted by the recently enacted Federal Health Reform. Federal Health Reform will make a new tax credit available to small businesses to help them afford the cost of providing coverage to their employees. As many as

340,000 New York small businesses with 25 or fewer employees will be eligible for a tax credit covering up to 35 percent of the cost of health insurance premiums beginning in 2010.<sup>56</sup> Unfortunately, Federal Health Reform sets an income threshold for participation in these benefits that is too low for many small businesses in New York to benefit from. The Cuomo Administration will work with our Congressional delegation to raise those income thresholds. Nevertheless, there are still significant benefits that can be obtained. The State will work with the business community to ensure that small businesses are aware of and can take advantage of this important new tax credit program that can help relieve the State's financial burden in helping small businesses afford insurance.

### **Support Minority and Women Backed Enterprises**

The State must ensure that minority and women-backed enterprises ("MWBE") participate in economic growth. A range of innovative programs that supports MWBE policies will be described as part

of a broader urban agenda to be released soon. These include such policies as Owner Controlled Insurance Programs and Mentor-Protégé programs.



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## Restoring New York to Infrastructure Leadership

**N**ew York's rise to one of the largest economies in the country and indeed the world was made possible by its leadership in transportation infrastructure. New Yorkers were both willing to invest in and able to construct the great Erie Canal in 1825, connecting the New York ports to the Great Lakes and the industrial Midwest. In the early 1900's, the first subway in the country was built in New York City, making possible a City of more than eight million people. In the 1950s, the Thruway Authority Act was passed by the State Legislature to build a high speed roadway from Buffalo to New York, years before Congress authorized the Interstate Highway System. New York's economy thrived during those times in part because we were ahead of the country and much of

the world in recognizing the importance of these new modes of transportation.

As we finish the first decade of the new century, there have been much more troubling transportation results in New York State. We do not have the resources to adequately maintain our existing infrastructure let alone take on major new additions to our road and bridge system. New York's bridge system ranks in the lowest 10 percent of all states for operating conditions. We are struggling to find financing to complete the three megaprojects currently underway in our commuter rail and subway system—the first phase of the Second Avenue Subway line, the Long Island Rail Road expansion to the East Side of Manhattan and the Number 7 line Extension to the West Side—while maintaining essential maintenance for our existing MTA system. Our once world class airports at Kennedy and LaGuardia in some respects resemble those in developing countries—costing the region's economy billions of dollars in delays. Our freight and passenger rail network is nearly half its original size and suffers from clearance and speed restrictions

impacting our ability to move passengers and freight. The Port of New York, once the model for the country, is struggling to compete with more modern facilities.

A key goal of Andrew Cuomo's NY Works Agenda is to restore New York to its position of leadership in infrastructure accomplishments. To achieve this goal during a time of severe fiscal constraint will require hard decisions and the cooperation of all stakeholders. This will not be easy, but there is no alternative if we want to preserve one of the key features of New York's competitive position in the world economy. In making these hard decisions and achieving consensus among stakeholders, the Cuomo Administration will be guided by the following principles:

- **Safety:** Our priorities must be to invest in those projects in which further decline would lead to safety concerns. This includes the safety of our bridges, our rail and transit systems, our airports and our environmental infrastructure responsibilities.
- **Economy:** We will focus on investments that are critical to the State and its municipalities' growth and competitiveness. This includes assuring our bridges and rail systems can

support both the freight and passenger traffic that is essential to New York's economy, including alleviating congestion that leads to wasted hours for people traveling to home and work.

- **Affordability:** We must look at our construction costs and time for delivery to assure we are delivering projects as inexpensively and as quickly as possible. We need to recognize that New York has fallen behind the rest of the world in bringing new technology and delivery mechanisms into our construction programs that can reduce cost and accelerate delivery times.
- **Maximizing Federal and Private Revenues:** It is important to find ways to generate more revenues from outside the New York State taxpayers and users to pay for these investments. These include increasing the State's share of federal aid for all projects and increasing the share of competitive grants that New York wins. It is essential that we have projects "on the shelf" and ready for any new federal funding as the national government looks to enhance infrastructure funding. We also need to make efforts to seek private sector partners to participate in necessary projects.
- **Efficiency:** Our current system is hampered by having multiple agencies responsible for

implementation and oversight of our transportation infrastructure system. We need better coordination and greater integration among all agencies involved in transportation infrastructure.

- **Responsible Bonding Practices:** The bonded debt we have incurred over the last decade in connection with transportation and the types of projects for which debt financing was used was short-sighted and irresponsible, and we are now paying the piper for these decisions. We must develop a strategy to wean ourselves off these practices so we can build our transportation infrastructure on a solid financial foundation.

## **Maintain and Expand our Highway Bridge Infrastructure**

### ***The Current State of Disrepair***

The State is responsible for the oversight of more than 15,000 miles of highways and 7,600 bridges. The system is vast and the main way people and goods move outside metropolitan areas. The highway and bridge system are key to the economic growth of the State. In New York, the State portion of this infrastructure is paid from federal aid and a

Dedicated Highway and Bridge Trust Fund. Much of the transportation system in New York State is antiquated and some cases dilapidated. The State is struggling to stem the rates of decline on its highways and bridges and the local system is in even worse shape. Currently, New York ranks 42<sup>nd</sup> compared to other states in terms of pavement condition on all roads on the national highway system and 46<sup>th</sup> in terms of pavement conditions on interstate highway systems. Bridge conditions are of even more concern. New York State ranks 46<sup>th</sup> worst in the nation in the number of structurally deficient and functionally obsolete bridges.

***Reform the Dedicated Highway and Bridge Trust Fund***

The Dedicated Highway and Bridge and Trust Fund (the “Dedicated Fund”) is the main source of funding transportation capital in New York. Since the Dedicated Fund was created in 1993, debt service has grown from 0 in 1993, to \$600 million in 2000, to \$1 billion in 2010, and projected to be \$1.6 billion in

2014. Debt service of \$1.6 billion is expected to represent over 75 percent of the projected revenues to the Dedicated Fund in 2014. The reality of the Dedicated Fund is that it has gone from primarily supporting new capital programs to primarily supporting previous capital programs. One reason for the lack of current capacity is that the State is now financing almost all maintenance and operations with bonded capital from the Dedicated Fund. For example, in 2001 the State enacted legislation to allow the Dedicated Fund to pay for snow and ice removal, as well as Department of Motor Vehicle Operating expenses.

If the State's transportation expenses had been properly funded with more pay as you go financing, there would now be substantially more funds available each year available for true capital investments in roads and bridges.

In addition, because revenues associated with the Dedicated Fund are insufficient to fund the full Transportation capital plan, more than \$700 million of General Fund subsidies are being used to supplement the Dedicated Fund.

The answers to the problems of the Dedicated Fund cannot be on the revenue side alone. The efficiency programs described below that can reduce the cost of projects must be an essential part of any long-term solution to the State's Highway and Bridge Transportation program. But the State will also need to review new financing strategies, including maximizing federal funding, adding private revenue sources and additional State revenues to fund the State's long-term Transportation needs.

### ***Build Essential New Transportation Projects***

By far the single biggest new Transportation project on the State's agenda is the replacement of the Tappan Zee Bridge. With cost estimates ranging from \$6 billion to \$16 billion (if full rail options were included), the Tappan Zee Bridge represents an enormous financial commitment. The Tappan Zee Bridge is nearly a decade beyond its useful life, and is essential part of the transportation infrastructure not only of New York but of the entire region. A new Administration will have to carefully study the

options that have been worked on for nearly a decade, and promptly make a decision about the scale and financing strategy for this critical project.

While the Tappan Zee is the largest transportation project needed to support economic growth, others exist around the State. These include the Peace Bridge in Buffalo, completion of the I-86 corridor, the Kosciuszco Bridge (I-278) and completion of the Route 219 Corridor in Buffalo. New York must evaluate each of these projects against the principles described above and set a realistic schedule for completion.

### ***Achieve Efficiencies in the Highway and Bridge Program***

There is much we can do to improve the efficiency and reduce the cost of the State's transportation program. Better technology can save costs on areas such as bridge inspections, truck weighing and traffic lights. We need to modernize procurement rules to get projects done faster and consolidate various government approvals, including

design-build contracting with appropriate protections in place. We should develop policies that would allow shared bids by local governments and the State to save on mobilizations costs for contractors. Finally, we should further professionalize our transportation project managers and allow the best to become a corps that can move from agency to agency depending on the project. We must address the high costs of construction with our so that we can do more projects with our limited resources. This will require the cooperation of government agencies, contractors and our labor unions to accomplish. We must find efficiencies of this kind to make our transportation infrastructure more affordable.

### **Develop World Class Mass Transit Systems**

New York's mass transit systems are among the largest in the world. Although the Metropolitan Transportation Authority ("MTA") is, of course, our largest system, it's important to note that the systems outside the metropolitan New York region would be

the fifth largest in the country if considered as a single system.

### ***Address the Operating Deficit at the MTA***

The total 2010 Operating Budget for all of the MTA is approximately \$12 billion, with roughly \$6 billion raised from fares and tolls and \$5 billion of government subsidies. The current year difference was an operating budget gap of approximately \$760 million. The MTA has cut staff and services and is seeking a fare increase effective January 1, 2011 to close this operating budget gap. In closing this budget gap, the MTA should seek to keep service cuts and fare increases to a minimum and work instead in restructuring programs to find greater efficiencies. The MTA must reduce costs of overhead (which is currently being accomplished through substantial management cuts), consolidate and streamline various functions within the MTA family and streamline the oversight of its capital programs (stop having more people looking at jobs than doing jobs).

The MTA must also fix programs that have grown out of control. For example, the MTA's para-transit program now requires more subsidies than the MetroNorth commuter railroad. The MTA has begun a process of achieving efficiencies. This effort must be continued.

***Address the Capital Program Deficit at the MTA***

The MTA faces a \$10 billion dollar funding shortfall for its current \$24 billion five year capital plan. Opportunities for reducing the capital plan further are limited by "full funding" agreements signed with Federal Transit Administration regarding the Second Avenue Subway and East Side Access projects. As with the State Transportation program, the MTA will need to both find new revenues and realize efficiencies in its capital program. We need to maximize federal funding and add revenue from private sources where possible. We need to modernize procurement rules to get projects done faster and consolidate various government approvals,

and include more modern project delivery methods like design-build contracting with appropriate protections in place. We must also work with contractors and labor to find ways to reduce construction costs, including reforming work rules for construction unions as part of the collective bargaining process or through specific Project labor Agreements (“PLA’s”), modifying bonding and other State requirement to get more bidders, change permitting requirements to streamline environmental and other processes, and create an atmosphere to attract more bidders to respond to various procurements.

### ***Improve Efficiencies at Upstate Transit Systems***

Outside of the MTA, the systems are struggling with rising operating costs and aging bus fleets. Although upstate systems are large when looked at together, they are actually operated by numerous local governments and Regional Authorities in Western New York (Niagara Frontier Transportation

Authority - NFTA), Rochester (Rochester Genessee Regional Transportation Authority - RGRTA), Central New York (Central New York Regional Transportation Authority -CNYRTA, and the Capital District (Capital District Transportation Authority CDTA). Nearly every other County City in the State operates its own system. There is little real coordination amongst the systems and there needs to be greater efforts to work together on issues like fare collection and bus purchases. For example, we should explore consolidating services and procurement in our Upstate systems to put together larger purchases that can save money.

### **Make High Speed Rail a Priority**

High Speed Rail could be transformative for New York, with the potential to revitalize the Upstate economy with construction jobs now and permanent jobs created by the new high speed rail links to New York City, Toronto, and Montreal in the future. We must resolve the bickering between public and private parties that prevents us from having a viable

High Speed Rail strategy. As Governor, Andrew Cuomo will upgrade our rail system at reasonable cost to enable a reliable service that averages 100 miles per hour between New York City and Albany (making this a reliable two hour trip) and from Albany to Buffalo and points in between. Furthermore, the federal government is now making a major financial investment in building a high speed rail system for the United States. The President recently announced the recipients of \$8 billion in stimulus grants as the first step in the development of a US high-speed rail network. However, New York received only \$151 million of the grants out of the \$561 million applied for, ostensibly because these projects were not “shovel ready”. A Cuomo Administration will ensure that New York has done the work necessary to put itself in a position to win more of these critical federal grants.<sup>57</sup>

New York will also take the lead among neighboring states in pushing the federal government to develop a national rail-freight plan that takes trucks off our highways. New York’s current statutes

are outdated and need to be changed to encourage investment in rail freight.

### **Improve our Air Traffic Infrastructure**

As identified by the New York City Partnership and the Regional Plan Association, flight delays caused by air traffic congestion at the three New York City airports were responsible for more than \$2.6 billion in losses to the regional economy in 2008. The future of the region as a center of global commerce, finance and innovation requires an air transportation system that is efficient and universally accessible.

As Governor, Andrew Cuomo will institute a 21<sup>st</sup> Century transportation infrastructure policy that addresses this issue including next generation air traffic control systems, improvement of ground traffic management and expanding the use of Stewart International Airport in the Hudson Valley in a way consistent with environmental and traffic concerns in the area.

## **Create the “Connect NY” Broadband Program to Expand High Speed Internet Access to All Areas of New York**

Areas of New York that are presently unserved must be able to share in the benefits of emerging technologies. Providing affordable access to broadband infrastructure in unserved areas will help connect New Yorkers to the world economy. Broadband (or high speed internet service) for businesses is critical in the modern age. Broadband allows businesses to tap markets normally unavailable to them, reduces business costs and increases productivity.

Most New Yorkers have access to broadband or other internet provider services.<sup>58</sup> However, because of the high cost of building the network to certain areas, such as sparsely populated regions, New York and other hard-to-reach communities continue to lag behind.<sup>59</sup> There has been significant effort at the federal level to expand broadband use through stimulus money and other sources. Under the American Recovery and Reinvestment Act more

than \$7 billion dollars was made available for broadband deployment.<sup>60</sup> Although New York has received millions for broadband deployment, as Governor, Andrew Cuomo will fight for more federal funding to make sure broadband is deployed to all New Yorkers and continue to push for additional broadband access sources.<sup>61</sup> These initiatives will lead to short-term job growth, draw more business to New York and help existing businesses in the region.<sup>62</sup>

Under the “Connect NY” program Andrew Cuomo will foster cooperative<sup>63</sup> private/public partnerships to provide access to broadband infrastructure and technology. New York will work with all the providers to bring broadband to the most people. Although currently the State begun the process, there needs to be a more coordinated effort among government agencies, municipalities and private industry.<sup>64</sup>

The Connect NY program will help those areas that do not have access to high speed internet service. Deployment of broadband also means new jobs and

business opportunities related to putting in place the new broadband infrastructure.

### **Create the “Rebuild NY” State Infrastructure Bank**

One of several tools that the Cuomo Administration will utilize to address the significant infrastructure challenges faced by the State is the creation of the Rebuild NY State Infrastructure Bank (“SIB”). The SIB will use cash received from the State or the proposed Federal Infrastructure as equity, and lever that equity (typically at a rate of 3x) to create a pool of funds for investment into economic development or transportation infrastructure projects. Projects conducted through the SIB will be eligible for Design-Build contracts that have been demonstrated to reduce the cost of procurement by allowing for “value engineering” in the contracting process. The SIB will also facilitate the introduction of private capital and risk-sharing by the State in the construction of certain large projects, similar to what the Port Authority is now pursuing with respect to the Goethals Bridge project in Staten

Island.

The SIB will help accelerate projects and ensure their timely delivery—which in turn will accelerate economic growth and job creation—in at least three ways. First, the SIB can provide debt financing to municipalities and counties to support some of their economically sound but smaller project initiatives which may be difficult or excessively expensive for them to finance with their own debt offering; Second, it can attract private capital by allowing certain contracting structures (such as Design-Build-Finance-Maintain) that would not otherwise be allowed under current State law; and Third, it can allow for risk transfer to private parties for cost overruns or delays in both the delivery of the project and, in some cases, the operation of the project.

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Repairing the damage to New York State's transportation infrastructure of years of neglect and short-sighted policies will not happen overnight. But with clear direction and cooperation of all parties, we

can once again put this vital sector of our economy  
back on track.



# NY Works Agenda

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## Summary of Proposals

### Chapter 2: Improving New York's Business Climate

- **Reducing the Tax Burden.** Andrew Cuomo's commitment to control State spending, veto tax increases and cap local property taxes is a critical part of his economic development plan.
- **Workers Compensation Reform.** The Cuomo Administration will make it a priority to complete the implementation of the 2007 reform law to secure the "win-win" of cost reductions and benefit increases that the reform law made possible.
- **Preventing a Spike in Unemployment Insurance Costs.** The Cuomo Administration will pursue options for returning the Unemployment Insurance (UI) Trust Fund to solvency in a way that minimizes the additional cost for New York employers.
- **Reducing Energy Costs.**
  - **Power NY Agenda.** Andrew Cuomo's Power NY Agenda offers a comprehensive program for controlling energy costs, including investments in

energy efficiency, upgrading and expanding our transmission infrastructure to bring lower cost power to the areas where it is needed the most, a new power plant siting law to help expand the supply of power generation, and a willingness to take a fresh look at the NYISO system that sets the price of wholesale electricity in New York.

- **Create a new Energy Efficiency Finance Corporation.** The Cuomo Administration will work with businesses and the financial markets to design a new Energy Efficiency Finance Corporation program to support these large energy efficiency investments and work with the Federal government to get dedicated private activity bond cap funds made available to further lower the cost of this financing.
  - **Engage the property appraisal industry.** Urge them to increase transparency so that lenders and investors can more clearly see the value of more energy efficient buildings.
- **Controlling the Growth of Health Insurance Costs.** Ensure that insurance carriers do not raise health insurance premiums beyond a level warranted by the risks they are insuring.

- **Utilize “prior approval” power.** Use this new authority to protect businesses and consumers, while making sure that the ability to control premium increases is not used to sweep under the rug the underlying problem of the uncontrolled growth in costs in the health care delivery system.
  - **Reducing Regulatory Burdens.** Protect health, safety and the environment without unnecessarily hampering job creation and economic growth.

### **Chapter 3: Forge a New Economic Development Paradigm and Regional Economic Development Councils**

- **Create Regional Councils to Focus Economic Development Decisions.**
  - **Develop Regional Councils.** Establish ten regional economic development councils that represent a public-private partnership to develop and execute effective long-term economic development strategies.
  - **Create Partnerships.** The Regional Councils will coordinate economic

development efforts in their region in partnership with business, local public and private economic development organizations, institutions of higher education and other stakeholders.

- **Cut through bureaucracy.** The Regional Councils will be empowered to cut through the Albany bureaucracy so we can get things done.
- **Ensure the Personal Commitment of the Governor and Lt. Governor.** Andrew Cuomo and Bob Duffy will ensure that all of the State's economic development efforts are kept on the front burner of government and well coordinated not only with each other but with other parts of State government that impact economic development.
- **Base a Regional Strategy on the Specific Industry Clusters in Each Region.** To be successful, New York's economic development strategy must be based on a bottom-up approach that both reflects the particular needs of each region and includes all of the economic development stakeholders in the region.
- **Empower Regional Councils by Giving Them Control Over One Third of Economic Development Funds.** The Cuomo Administration will place One third of economic development funds under the

control of the Regional Councils so they can quickly make decisions based on their local knowledge of the best opportunities within the region.

- **Competition for Economic Development Dollars: Regional Plans will be Measured and Aid Awarded Based on Performance.** Reserve two thirds of economic development funds for competition between regions to ensure that the largest opportunities Statewide have sufficient funding.
- **Provide Connections to Other Regions of the State.** A regional approach to economic development *must* include an effort to capitalize on connections between regions to find synergies among related industries and other economic assets in different regions.
- **Support Regional Business Marketing Efforts.** The Cuomo Administration will make the private not-for-profit regional business marketing entities—such as Rochester Business Enterprises, CenterState CEO in Syracuse and the Long Island Association—and local governmental economic development organizations full partners in these efforts, since organizations have a deep understanding of the needs of businesses in their regions and a mission to expand economic development there.

- **Streamline the Process by which Grants and Other Payments are Made.** The State will create metrics to measure the length of time it takes from initial contact, to application, to final approval, through to final funding.
- **Promote International Trade.** New York State must actively develop and pursue policies of engagement with Canada at the provincial and national level. As part of this process, the Governor and Lt. Governor will undertake trade missions to Canada to establish ongoing relationships with our most important trading partner.
- **Create Performance Metrics to Measure Progress and Maintain Accountability.** We should implement clear operating metrics for execution of our economic development process, including the period of time it takes to evaluate and implement proposals. We should benchmark between regions and set targets based on best practices.

#### **Chapter 4: Use Targeted Programs to Attract and Retain Jobs**

- **Targeted Tax Incentive Program.** We must replace poorly targeted tax incentive programs with programs that are more directly related to the State's and each region's economic development strategy.

- **A New “Jobs Now” Tax Credit for the Unemployed.** The Cuomo Administration will work with the Legislature to enact an emergency two year \$300 million “Jobs Now” tax credit program to encourage employers to hire unemployed New Yorkers.
  
- **Fix the Recently Enacted Excelsior Tax Credit Program.** First, we will base the property tax credit on the value of the property *post-improvement*, that is, after the investment. Second, we will pay credits as soon as interim milestones are achieved. Third, we will eliminate this restriction and expand R&D tax credits. Fourth, we will streamline the application and approval process.
  
- **Strive to Keep Prior Commitments.** New York must take steps to assure the businesses that the deferral of tax credit payments will not be extended again into the future. Moreover, when the State does pay businesses the funds owed under these tax credits, it should include interest for the period of time the State has used this money.
  
- **Targeted Economic Development Grants.** The Cuomo Administration will offer three distinct types of economic

development grant programs: Revitalize NY's Economy Grants, Strategic Companies Grants, and Innovation Economy Grants.

## **Chapter 5: Make Higher Education a Jobs Generator: Higher Education-Industry Partnerships**

- **Technology Transfer.** The State must actively work to foster the creation of an effective infrastructure to support technology transfer so that faculty inventions from all corners of the State can be appropriately developed. The Cuomo Administration will do this by implementing policy proposals that leverage modest state funds, the convening power of State agencies and the leadership of the Governor.
  - **Capital.** New York's support for programs that expand access to early-stage capital for the commercialization of advanced science and technology research is critical.
    - **Cultivate alumni angels.** "Angel" investors often provide an essential funding bridge once seed funding from friends and family is exhausted. The State will work to connect New York colleges and universities with that effort, as well as expand

investor education about university-based research.

- **Create a New Technology Seed Fund.** Establish a New Technology Seed Fund to provide funds for entrepreneurs who want to develop and market university-based research ideas.
- **Eliminate the Capital Gains Tax on Investments in Start-Up and Early Stage Companies.** In order to encourage investments in innovation and entrepreneurs, we will eliminate the State capital gains tax on investments in start-up and early stage companies.
- **Leverage federal research grants.** Offer matching dollars for selected federal research grants that meet the test of applied research. These matching State grants should be made on a competitive basis to ensure that available funds are concentrated on the most promising ideas.
- **Expand what works.** Leverage the Common Retirement Fund's In-State Private Equity

Investment Program to establish university-focused venture funds.

- **Leverage tax incentives.**  
Requirements should align with existing federal tax policies so that firms do not face challenges in understanding whether they qualify, and which products or processes might qualify.
- **Culture.** The Cuomo Administration will work to instill this culture of entrepreneurship both through leadership from the Governor on down.
  - **Celebrate commercialization.**  
Focus and place value on entrepreneurship as a key element of academic research will set a tone that these efforts are a vital part of the future of the State.
  - **Be Fair in Sharing Rewards.**  
The Cuomo Administration will seek the support of college and university academic officers to ensure that such policies are fair and that all faculty researchers are familiar with their institution's commercialization policies.

- **Prime the STEM student pipeline.** Encourage more students to enter science, technology, engineering, and math (“STEM”) fields to support our research capacity going forward.
- **Collaboration.** The State will encourage a “communities of practice” model that will draw the state’s colleges and universities into closer collaboration on technology transfer and commercialization efforts.
  - **Foster commercialization social networks.** Create a bridge among graduate students, faculty researchers and potential industry collaborators to ensure a mutual understanding of the relationship between campus-based research with market-specific scientific and technological problems.
  - **Extend capacity.** Use State offices to create a shared infrastructure to better support commercialization efforts, including developing agreements under which institutions with higher levels of experience and sophistication in technology

transfer could effectively “adopt” other campuses.

- **Bring in the big guns.** Invite college and university presidents to participate in industry/firm attraction.
- **Entrepreneurial Partnership.** As part of the NY Works Agenda, the Cuomo Administration will create a program similar to Jump Start that provides entrepreneurial mentorship to research-based start-up companies.
- **Research Based University-Industry Consortiums.** The Cuomo Administration will put into place a clear set of guidelines and base its funding decisions on considerations of science and business opportunity, not politics. We will look to the industries where New York is best positioned to succeed. These industries include life sciences, renewable energy and other cleantech technologies, and telecommunications.
- **Support Higher Education’s Role as a Jobs Generator.** New York’s public and private colleges and universities are among the State’s great economic, as well as educational, assets. The State must embrace a range of policies that recognize this vital role of higher education, including policies that ensure that SUNY and

CUNY have sufficient tuition revenue to be a strong partner in economic development.

## **Chapter 6: Developing a 21<sup>st</sup> Century Workforce**

- **Integrate workforce development and economic development functions.** New York must adopt this “demand driven” approach and coordinate the efforts through the Regional Councils that bring together all the key stakeholders in a region that play a role in economic development and job creation.
- **Use the Regional Councils to Coordinate the State’s Efforts.** The Cuomo Administration will use the Economic Development Regional Councils to coordinate the efforts of the State’s workforce development and economic development functions.
- **Focus on Education and Literacy as the Building Blocks for a Strong Workforce.** The building blocks for a more skilled workforce in New York State must begin with an unyielding commitment to the educational and literacy needs of all sectors of our workforce, in both youth and adult populations.
- **Address the Critical Issue of Youth Employment.** As Governor, Andrew Cuomo will be an uncompromising force in promoting youth employment opportunities, through advocacy for funding, the creation of the strong

public-private partnerships necessary to drive long-term commitments , and in supporting the expansion of programs which have demonstrated success in keeping kids in school and keeping them on the path to a productive adulthood.

- **Dual Enrollment Programs.** The Cuomo Administration will seek to create dual enrollment programs that allow high school students to enroll in courses at community college with a goal of increasing postsecondary access and success, particularly for minority and low-income students.
- **Mentoring and Work Readiness Programs.** The core mission is to assist participating youth develop the skills needed to graduate from high school, assess postsecondary employment and educational options, and the program requires participation in work-readiness programming, community service, and weekly enrichment sessions.
- **Invest in On-the-Job Training.** The Cuomo Administration will urge the Regional Councils to make OJT programs a priority in workforce training, including programs that specifically address inclusion of literacy skills training in conjunction with the OJT training experience,

summer Youth Employment opportunities, and hiring hard-to-place workers.

## **Chapter 7: Address the Needs of Small Business**

- **Enhance Access to Capital.**
  - **Expand the Role of Community Banks and Similar Institutions.** The State needs to expand and streamline the role played by community banks, credit unions and Community Development Financial Institutions in promoting and administering these State small business incentive programs.
  - **Encourage “Second Look” Program.** Encourage all banks that operate in New York State to implement “Second Look” programs for rejected credit applications from small business.
  - **Enhance the State’s Linked Deposit Program.** As consideration for the lending institution’s agreement to offer the reduced interest rate, the State deposits funds with the institution in an amount equal to the loan principal at less than the prevailing interest rate for the deposit. The level of participation in the program varies widely. For example, the Finger Lakes region is one of 10 program regions in the State, but accounts for 30 percent of the projects

financed and 30 percent of the funding issued through the Linked Deposit Program in 2009. The State should identify the factors that make the program successful in the Finger Lakes region, and export these “best practices” to other regions in the State.

- **Permit Refinancing and Longer Term.** New York’s Linked Deposit Program does not permit refinancing; it must be changed to permit refinancing. New York State should extend the maximum term of its Linked Deposit Program loans beyond the current limit of four years.
- **Create a Collateral Support Program.** The goal of a “Collateral Support Program” is to help viable businesses that are struggling to get credit because the value of their collateral has fallen (due to depreciated plant and/or equipment value or commercial real estate values). In a Collateral Support Program, government deposits with the lending institution are used to supplement insufficient borrower collateral in order to increase a small business’s borrowing capacity.
- **Provide Portfolio Insurance Funding.** Loan portfolio insurance, like California’s Capital Access Program, is

another financing tool which can be employed to encourage lending institutions to make loans to small businesses that fall just outside of most banks' conventional underwriting standards.

- **Connect Small Businesses with Government Incentive Programs.** By creating an online incentive-matching tool, modeled after the Incentive Finder tool utilized by New York City that matches business profiles to incentive program criteria, the State can provide its small businesses with a means to steer through the entire portfolio of State small business programs in a thorough and highly efficient manner.
- **Create a New York State Business Express.** There will be an online, "one-stop shop" for required permits and documentation for all state agencies with the New York State Business Express.
- **Help Small Businesses Reduce Health Insurance Costs.** The Cuomo Administration will consider the needs of small business in all aspects of its health care policy, especially as it is impacted by the recently enacted Federal Health Reform.
- **Support Minority and Women Backed Enterprises.** The State must ensure that

minority and women-backed enterprises (“MWBE”) participate in economic growth. A range of innovative programs that supports MWBE policies will be described as part of a broader urban agenda to be released soon. These include such policies as Owner Controlled Insurance Programs and Mentor-Protégé programs.

## **Chapter 8: Restoring New York to Infrastructure Leadership**

- **Maintain and Expand our Highway Bridge Infrastructure.** When making infrastructure decisions, Andrew Cuomo will consider the following criterion: Safety, the Economy, Affordability, Maximizing Federal and Private Revenues, Efficiency, and Responsible Bonding Practices.
  - **Reform the Dedicated Highway and Bridge Trust Fund.** The State will also need to review new financing strategies, including maximizing federal funding, adding private revenue sources and additional State revenues to fund the State’s long-term Transportation needs.
  - **Build Essential New Transportation Projects**



mobilizations costs for contractors.

- **Develop World Class Mass Transit Systems**
  - **Address the Operating Deficit at the MTA.** The MTA should seek to keep service cuts and fare increases to a minimum and work instead in restructuring programs to find greater efficiencies.
  - **Address the Capital Program Deficit at the MTA.** The MTA will need to both find new revenues and realize efficiencies in its capital program. We need to maximize federal funding and add revenue from private sources where possible.
  - **Improve Efficiencies at Upstate Transit Systems.** We should explore consolidating services and procurement in our Upstate systems to put together larger purchases that can save money.
- **Make High Speed Rail a Priority.** As Governor, Andrew Cuomo will upgrade our rail system at reasonable cost to enable a reliable service that averages 100 miles per hour between New York City and Albany and from Albany to Buffalo and points in between.

- **Improve our Air Traffic Infrastructure.** As Governor, Andrew Cuomo will institute a 21<sup>st</sup> Century transportation infrastructure policy that addresses this issue including next generation air traffic control systems, improvement of ground traffic management and expanding the use of Stewart International Airport in the Hudson Valley in a way consistent with environmental and traffic concerns in the area.
- **Create the “Connect NY” Broadband Program to Expand High Speed Internet Access to All Areas of New York .** Under the “Connect NY” program Andrew Cuomo will foster cooperative private/public partnerships to provide access to broadband infrastructure and technology. New York will work with all the providers to bring broadband to the most people. Although currently the State begun the process, there needs to be a more coordinated effort among government agencies, municipalities and private industry.
- **Create the “Rebuild NY” State Infrastructure Bank.** The SIB will use cash received from the State or the proposed Federal Infrastructure as equity, and lever that equity to create a pool of funds for investment into economic development or transportation infrastructure projects.

**Appendix**  
**Summary of New York State Small Business**  
**Incentive Programs**

<b>Program</b>	<b>New/ Existing</b>	<b>Incentive Type</b>	<b>State Agency/ Administrator</b>	<b>Implementation Partners</b>
<b>A. DIRECT LENDING/ GRANTS</b>				
Linked Deposit Program	Existing (1993)	<u>Loan-related</u> (interest subsidy) Program allocation: \$560M	ESD	72 (banks, savings, savings and loan, farm credit institutions)
MWBE Revolving Loan Trust Fund	Existing (1995)	<u>Direct loans</u> Up to \$35,000, working capital Up to \$50,000 fixed asset Up to \$7,000 micro loans	ESD	12 community-based entities (CDFIs/chamber of commerce)
Regional Revolving Loan Trust Fund	Existing	<u>Direct loans/loan guaranties</u> Loans: Up to \$75,000/50 percent of project cost Guaranties: up to 80 percent of loan, NTE \$80,000	ESD	7 non-profits
Small Business Revolving Loan Fund	New (2010)	<u>Direct loans</u> (State funds 50 percent up to \$125,000)	ESD	Will be RFP'd to CDFIs and community-based lending institutions
Job	Existing	<u>Direct loans</u>	ESD & JDA	N/A

Development Authority (JDA) Direct Loan Program	(1995)	(State funds between 40-60 percent of total project cost)		
Manufacturing Grant Program	Existing	Grants (State funds up to \$1 million)	ESD	N/A
Downstate Revitalization Fund/Upstate Regional Blueprint Fund	Existing (2008)	<u>Subsidized loans, convertible loans, and grants</u> (Qualified applicants are not limited to small business and may include govts, PBCs and LDCs)	Upstate: Upstate ESDC/NYS Urban Development Corporation Downstate: NYS Urban Development Corp, d/b/a ESDC	N/A
NYS CDBG Small Business Assistance Program	Existing	<u>Grants</u> \$25,000 for each new FTEs, NTE \$100,000	NYS DHCR	Local governments/ community organizations
NYS CDBG Micro-Enterprise Program	Existing	<u>Grants</u> Between \$5,000-35,000	NYS DHCR	Local governments/ community organizations
SBA Loan Program (Federal Program)	Existing	<u>Loans</u> 504: \$1.5 million 7(a): \$2 million 7(a) Express Loan: \$300,000	NY Business Development Corporation & Empire State CDC	Numerous banks, community-based lending institutions

		Microloans: \$35,000		
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<b>Program</b>	<b>New/ Existing</b>	<b>Incentive Type</b>	<b>State Agency/ Administrato r</b>	<b>Implement ation Partners</b>
<b>B. BUSINESS DEVELOPMENT &amp; CAPITAL ASSISTANCE SERVICES</b>				
Community Development Financial Institution Assistance Program	Existing (1997)	Business Development Assistance and loan-related support (no outright lending)	ESD	28 CDFIs throughout the State
NYSTAR Regional Technology Development Centers Program (RDTC)	Existing	Technical business development assistance only (includes VC assistance)	NYSTAR (NYS public authority)	10 independen t, not-for- profit organizatio ns, Regional Technology Developme nt Centers (RTDC)

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**NOTES**

<sup>1</sup> New York State Department of Labor Statistics available at <http://www.labor.state.ny.us/stats/pressreleases/pruistat.htm>.

<sup>2</sup> *Id.* [http://www.labor.ny.gov/stats/nys/alternative\\_measures.shtm](http://www.labor.ny.gov/stats/nys/alternative_measures.shtm).

<sup>3</sup> *Id.* From 2000-2008 upstate average total jobs have declined 22.1 percent, with a decline of 31.7 percent in manufacturing jobs. New York lost 28.9 percent of its total manufacturing jobs from 2000-2008.

<sup>4</sup> New York State Department of Labor Statistics available at <http://www.labor.state.ny.us/stats/pressreleases/pruistat.htm>.

<sup>5</sup> Patrick McGeehan, "A Localized Breakdown of Joblessness in New York," *New York Times* (December 29, 2009). The analysis was based on a study by the Fiscal Policy Institute.

<sup>6</sup> See A. B. Laffer, S. Moore & J. Williams, *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index* 123 (2d ed. 2009) (noting that from 1998-2007 New York experienced a cumulative domestic migration of 1,936,126).

<sup>7</sup> See Public Policy Institute of New York State, *Transcending the Hamster Cage, Unfettering New York's Static Innovation Economy* available at

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<http://www.ppiny.org/reports/2010/TranscendingtheHamsterCage.pdf> at IV-3.

<sup>8</sup> US Small Business Administration, Office of Advocacy. *Small Business Profile*, New York, 2008.

<sup>9</sup> See the New York State Department of Banking, *Review of Loans Made to Small Businesses and Agriculture Loans to Small Farms* (June 2008 & June 2009 reports). Loans declined from 466,400 in 2006 to 203,832 in 2009. In dollar amounts, the overall decline was from \$32.2 billion to \$21.5 billion, a drop of 33.2 percent; for small loans, the drop was from \$7.5 billion to \$3.3 billion, a drop of 56 percent.

<sup>10</sup> See the New York City Express Business Website available at <http://www.nyc.gov/portal/site/businessexpress>.

<sup>11</sup> See <http://www.ppiny.org/reports/jtf/2007/StateLocalTaxBurdens2007.html>.

<sup>12</sup> As a proxy, it is worth noting that when property taxes are measured as a percentage of home value, the top sixteen counties in the nation are all in New York State. *The New NY Agenda*, at p. 34. See *Tax Foundation* “Property Tax on Owner-Occupied Housing, by County, Ranked by Property Taxes as a Percentage of Home Value, 2006-2008 (3-Year Average)” at <http://www.taxfoundation.org/research/show/25428.html>.

<sup>13</sup> See NY Chap 6 of the Laws of 2007.

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<sup>14</sup> *The Power NY Agenda*, at 4.

<sup>15</sup> *Ibid* at 38;

[http://www.dps.state.ny.us/gbpresentations/nema\\_remarks\\_042809.pdf](http://www.dps.state.ny.us/gbpresentations/nema_remarks_042809.pdf).

<sup>16</sup> See NY Chapter 107 of the Laws of 2010.

<sup>17</sup> See A. T. Kearney, *Delivering on the Promise of New York State: A Strategy for Growth & Revitalization* 12 (2007) (report prepared for Empire State Development), available at [http://www.nycp.org/publications/2007\\_0717\\_ATKearney\\_report.pdf](http://www.nycp.org/publications/2007_0717_ATKearney_report.pdf). Agencies and authorities that perform economic development functions include but are not limited to, the Office for Technology (“OFT”), New York State Energy Research and Development Authority (“NYSERDA”), New York State Foundation for Science, Technology and Innovation (“NYSTAR”), Department of Environmental Conservation (“DEC”), Power Authority of the State of New York (“PASNY”), Long Island Power Authority (“LIPA”) and the Department of Agriculture and Markets.

The State’s primary economic development unit is Empire State Development (“ESD”)— an umbrella structure created in 1995 merging several departments and authorities. The ESD structure is itself confusing hierarchy. The ESD consolidated the functions of the Department of Economic Development (“DED”), a government department, the Urban Development Corporation (“UDC”), a public authority, along with other State economic development entities such as the Job Development Authority (“JDA”) and the Science and Technology Foundation (“STF”). Some functions of JDA

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and STF were folded into DED and a new authority, the Empire State Development Corporation (“ESDC”).

Within the ESDC, there are “subsidiaries” operating as independent entities, with a board, president and staff, and each is associated with a large-scale development project. Currently, ESDC lists ten such subsidiaries although a recent audit by the Office of the Comptroller discovered over 200 subsidiaries. The Office of the Comptroller, however, recently found 202 subsidiaries. Office of the State Comptroller, *Empire State Development Corporation Oversight of Subsidiary Corporations*, Audit 2005-S-6 (May 2006).

<sup>18</sup> Local Development Corporations (“LDCs”) “are authorized under state law as not-for-profit corporations, *see Article 14 of the Not for Profit Law*, and are often used by municipalities to support particular public purposes. Municipally created LDCs have become an important tool in local economic development; their boards often include ex-officio municipal officers and they are often staffed by municipal employees.” *See* N.Y.S. Commission on Local Government Efficiency & Competitiveness, *Report on Local Economic Development*, at 2-3, available at [http://www.nyslocalgov.org/pdf/Local Economic Development.pdf](http://www.nyslocalgov.org/pdf/Local_Economic_Development.pdf). *See also*, Number of Local Governments, available at [http://www.nyslocalgov.org/pdf/Local Government Count.pdf](http://www.nyslocalgov.org/pdf/Local_Government_Count.pdf)

<sup>19</sup> Industrial Development Agencies (“IDAs”) “are public authorities established for a particular county or municipality to promote the general economic welfare in their respective areas. The 115 active IDAs in New

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York State generally attempt to attract, retain and expand businesses within their jurisdictions by providing financial incentives to private entities.” *Id.* at 2. IDAs can offer several benefits to private companies as inducements for them to relocate to, expand in or remain in their jurisdictions including the power to acquire, own and dispose of property; directly issue debt; real property owed by IDAs is exempt from property taxes and mortgage recording taxes and purchases made in support of approved projects are eligible for exemption from State and local sales taxes.

<sup>20</sup> “The Empire Zone program was developed to help economically distressed areas throughout New York State by providing a range of targeted tax incentives within a designated geographic area. EZ policies and projects are developed, coordinated and monitored by a local EZ administrative board that typically consists of at least six representatives from businesses, community organizations, organized labor, financial institutions, educational institutions and residents.” *Id.* at 3.

<sup>21</sup> Business Improvement Districts “are authorized under state law as a mechanism to provide general public improvements in downtown business areas, such as façade improvements, benches, banners and other public amenities or events.” *Id.* at 4.

<sup>22</sup>Community Development Agencies (“CDA”) and Urban Renewal Agencies (“URA”) “are public authorities established to assist a particular city, town or village in reconstructing and redeveloping urban areas; both were created to access various federal

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funding streams, and both are defined in NYS General Municipal Law. . . . The 23 CDAs and 26 URAs currently established under NYS law are authorized to issue debt and engage in a variety of activities to attract, retain or expand local business development and reduce urban blight.” *Id.* at 2.

<sup>23</sup> Regional Planning Councils (“RPCs”) are authorized under state law. “[T]here are currently ten RPCs, which are sometimes also referred to as Regional Planning Commissions or Regional Planning Boards. RPCs are voluntary public organizations comprised of neighboring counties which engage in regional planning and economic development.” *Id.* at 3.

<sup>24</sup>For example, ESDC has a number of incentives such as Empire Zones, Manufacturing Assistance Program, RESTORE-NY, Empire State Technology Employment Incentive Program, Upstate Regional Blueprint Fund, Downstate Regional Blueprint Fund, Qualified Emerging Technology Tax Credit, and Investment Tax Credit; NYSTAR has the Technology Transfer Incentive Program, Gen\*NY\*sis, Faculty Development Program, and Small Business Technology Investment Fund; NYSERDA has STEP, Focus on Colleges and Universities, Focus on Commercial Real Estate, and Look Upstate; OFT has the Broadband Development Council, and federal and state broadband stimulus grants; and the DEC has Brownfield Cleanup Program, Fuel Cell Electricity Generating Equipment Credit, to name a few.

<sup>25</sup> Andrew Cuomo, Secretary U.S. Department of Housing and Urban Development Dan Glickman,

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Secretary U.S. Department of Agriculture, *What Works! in the Empowerment Zones and Enterprise Communities (Volume II)* located at <http://www.hud.gov/nofa/ez/94039.pdf>.

<sup>26</sup> Exports in the Great Lakes: How Great Lakes Metros Can Build on Exports and Boost Competitiveness by Jennifer Bradley, Emilia Istrate and Jonathan Rothwell, Metropolitan Policy Program at Brookings, July 2010.

<sup>27</sup> See Bartik, Timothy J. and John H. Bishop, "Complementing Recovery Policies with a Jobs Creation Tax Credit," *Economic Policy Institute, Policy Memo #150* (October 20, 2009) available at <http://www.epi.org/publications/entry/pm150/>.

<sup>28</sup> See Catherine Rampell, "Support is Building for a Tax Credit to Help Hiring" *New York Times* (October 6, 2009).

<sup>29</sup> See Citizens Budget Commission, *It's Time to End New York State's Empire Zone Program*, (December 2008) available at [http://www.cbcny.org/Ending\\_Empire\\_Zones.pdf](http://www.cbcny.org/Ending_Empire_Zones.pdf).

<sup>30</sup> National Center for Higher Education Management System ("NCHEMS"), accessed June 2010.

<sup>31</sup> State Science and Technology Institute ("SSTI") website, <http://www.tbedresourcecenter.org/SSTI/index.aspx>, accessed June 2010.

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<sup>32</sup> See <http://www.cornellangels.com>.

<sup>33</sup> See <http://angelsoft.net/angel-group/wharton-angel-network>.

<sup>34</sup> See <http://ncet2.org/pastevents/uAngelsWorkshop/Agenda>, accessed June 2010.

<sup>35</sup> See <http://cleantechny.blogspot.com/2010/01/nys-proposes-25-million-new-technology.html>, accessed June 2010.

<sup>36</sup> See <http://www.osc.state.ny.us/pension/instate/index.htm>, accessed June 2010.

<sup>37</sup> *Task Force on Diversifying the New York State Economy Through Industry-Higher Education Partnerships: Final Report* (December 2009).

<sup>38</sup> Powers, J. and Campbell, E. (2010) "Fixing Technology Transfer," <http://www.insidehighered.com/views/2010/03/16/powers>.

<sup>39</sup> See [http://en.wikipedia.org/wiki/Circuit\\_rider\\_\(technology\)](http://en.wikipedia.org/wiki/Circuit_rider_(technology)).

<sup>40</sup> Transcript: Powell, Clinton on "Meet the Press" September 19, 2010.

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<http://thepage.time.com/transcript-powell-clinton-on-meet-the-press-september-19-2010/>

<sup>41</sup> *Id.*

<sup>42</sup> *The Continued Collapse of the Nation's Teen Job Market and the Dismal Outlook for the 2008 Summer Labor Market for Teens: Does Anybody Care?*

Prepared by: Andrew Sum, Joseph McLaughlin, Ishwar Khatiwada, With Sheila Palma Center for Labor Market Studies, Northeastern University, Boston, Massachusetts (April 2008) at 1.

<sup>43</sup> *Many Teen Workers are Going Jobless this Summer*, July 21, 2010. Joseph Pisani for CNBC.

<sup>44</sup> *Id.* at p.4.

<sup>45</sup> *DUAL ENROLLMENT IN NEW YORK CITY: CUNY COLLEGE NOW*

[http://www.highereducation.org/reports/Policy Practice/CUNY.pdf](http://www.highereducation.org/reports/Policy_Practice/CUNY.pdf). Citing statistics for the 2004-2005 school year.

<sup>46</sup> Hillside Work-Scholarship Connection Evaluation, Performance Assessment. 2006 Update and Future Implications. November, 2006-Updated February, 2007.

<sup>47</sup> New York State Small Business Task Force, William Grinker, Chair, *Report and Recommendations* (December 2009) at 35 *available at* [http://205.232.252.104/pdf/Final\\_report.pdf](http://205.232.252.104/pdf/Final_report.pdf).

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<sup>48</sup> See NYS Small Business Task Force Report, at 33.

<sup>49</sup> U.S. Small Business Administration, Office of Advocacy. Small Business Profile, New York, 2008.

<sup>50</sup> The U.S. Senate Committee on Finance, Press Release dated July 22, 2010, citing: Kauffman Foundation Research Series: Firm Formation and Economic Growth, *Where Will the Jobs Come From?* November 2009.

<sup>51</sup> See the New York State Department of Banking, *Review of Loans Made to Small Businesses and Agriculture Loans to Small Farms* (June 2008 & June 2009 reports). Loans declined from 466,400 in 2006 to 203,832 in 2009. In dollar amounts, the overall decline was from \$32.2 billion to \$21.5 billion, a drop of 33.2 percent; for small loans, the drop was from \$7.5 billion to \$3.3 billion, a drop of 56 percent.

<sup>52</sup> Linked Deposit Program, Annual Report to the Governor and Legislature, 2010.  
[http://www.empire.state.ny.us/BusinessPrograms/Data/LinkedDeposit/LDP\\_2010report.pdf](http://www.empire.state.ny.us/BusinessPrograms/Data/LinkedDeposit/LDP_2010report.pdf)

<sup>53</sup> See <http://www.businessweek.com/magazine/content/09/51/b4160074968656.htm>

<sup>54</sup> See [www.nylovesmallbiz.com](http://www.nylovesmallbiz.com).

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<sup>55</sup> See the New York City Express Business Website available at <http://www.nyc.gov/portal/site/businessexpress>.

<sup>56</sup> See [http://www.irs.gov/pub/newsroom/count\\_per\\_state\\_for\\_special\\_post\\_card\\_notice.pdf](http://www.irs.gov/pub/newsroom/count_per_state_for_special_post_card_notice.pdf)

<sup>57</sup> Putting this all in perspective, China is committing \$300 billion to upgrade and expand its rail system. The train from Wuhan to Guangzhou runs at an average speed of 217 mph. Trains in other parts of Asia and Europe routinely travel at speeds of 185 mph. The U.S. is going for average speeds of 100+ mph—which we could hit routinely in the 1930's.

<sup>58</sup> See New York State Office for Technology, *New York State Universal Broadband Strategic Roadmap* (June 2009), at 7, available at [http://www.cio.ny.gov/assets/documents/Final Broadband Strategy June2009.pdf](http://www.cio.ny.gov/assets/documents/Final_Broadband_Strategy_June2009.pdf). As of June 2009, while 78 percent of New York households had some kind of Internet, one percent below the 79 percent national average, 48 percent of households were not subscribed to high-speed broadband.

New York is implementing a broadband strategy financed by state grants and potentially federal funding. The new Broadband Development and Deployment Council will oversee this initiative.

<sup>59</sup> See the New York State Broadband Stimulus Website at <http://www.nysbroadband.ny.gov/maps/counties.htm>. The website included county-by-county mapping of

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unserved and underserved areas. Underserved areas is defined as “any part of a municipality without readily and generally available retail consumer access to at least two or more nonaffiliated facilities-based wired or fixed wireless broadband telecommunications service providers.” See Executive Order No. 22, “Establishing a Broadband Development and Deployment Council” at <http://www.cio.ny.gov/assets/documents/executive%20order.pdf>.

<sup>60</sup> See New York State, *Federal Stimulus Website* at <http://www.nysbroadband.ny.gov/index.htm>. There is \$7.2 billion available under the American Recovery & Reinvestment Act (“ARRA”) for investing in broadband, which is allocated between two programs. The larger program is entitled the “Broadband Technology Opportunities Program” and contains \$4.7 billion for competitive broadband grants and the U.S. Department of Commerce, National Telecommunications and Information Administration to build broadband infrastructure and accelerate deployment in these unserved and underserved communities to promote economic development and job creation.

<sup>61</sup> See According to the New York State Broadband Development and Deployment Council, New York was awarded \$78 million in total ARRA funding. See also U.S. Department of Commerce, *The Portal to apply for broadband funding under the American Recovery and Reinvestment Act of 2009*, available at <http://www.broadbandusa.gov/>.

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<sup>62</sup> See Heller, Marc. “\$27m will boost broadband,” *Watertown Daily Times*, (August 5, 2010), available at <http://www.watertowndailytimes.com/article/20100805/NEWS02/308059958>.

<sup>63</sup> Cooperation is the key to success. For example, in the Connect Kentucky program, some telephone and cable companies objected to the leverage incumbent telephone and cable companies had in the award of broadband contracts. This has slowed deployment.

<sup>64</sup> The Executive created the “Broadband Development and Deployment Council” to better help coordinate broadband deployment activities, especially in light to the federal stimulus money. See Executive Order No. 22, “Establishing a Broadband Development and Deployment Council” at <http://www.cio.ny.gov/assets/documents/executive%20order.pdf>.



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