NEW YORK STATE LEGISLATURE

2010-2011 JOINT BUDGET HEARINGS

February 1, 2010 9:30AM

ECONOMIC DEVELOPMENT

HEARING ROOM B

LEGISLATIVE OFFICE BUILDING

Empire State Development Corp	Dennis Mullen Chairman & CEO
NYS Foundation for Science, Technology & Innovation	Edward Reinfurt Executive Director
NYS Business Council	Kenneth Adams President & CEO
NYS Economic Development Council	Brian McMahon Executive Director
Fiscal Policy Institute	James Parrott Deputy Director/Chief Economist
University at Buffalo Center of Excellence	Marnie LaVigne Director of Business Development
College of Nanoscale Science & Engineering, University at Albany	Dr. Alain Kaloyeros Senior Vice-President & CEO

Excell Partners Inc/ University of Rochester	Theresa Mazzullo CEO
NY Biotechnology Assoc.	Nathan Tinker Executive Director
Harter, Secrest & Emery, LLP	John Jennings Attorney
Panel in Support of Film Production Tax Credit	Tom O'Donnell Teamsters Local 817 John Ford IATSE Local 52 Doug Steiner Steiner Studios Gary Kesner Silvercup Studios Mike Jackman Delux Vans Stevenson Motion Picture Association Brian O'Leary NBC Universal Matthew Dienstag Le Noble Lumber
Village of Freeport	Hon. Andrew Hardwick Mayor Douglas L. Thomas Special Counsel
City of Amsterdam	Hon. Ann M. Thane Mayor
NY Wine & Grape Foundation	Peter Saltonstall Chairman of Board
NYS Liquor Store Association	Beth Endres Liquor Store Owner Will Ouweleen Winery Owner Gregory Gorea UFCW Dan Sisto Chairman of LEADD

NYS Wine Industry Assoc.	Scott Osbourne President-Fox Run Vineyards
NY Farm Bureau	Julie Suarez Director Public Policy Greg Tones Owner-Clearview Farms
NYS Hospitality & Tourism Assoc	Jan Chesterton Vice-President
NYS Theatre Institute	Patricia Snyder Director David Morris Chairman John Romeo Teacher Artist
NYS Community Development Financial Institution	Hillary Lamishaw Executive Director Kim Jacobs Exec. Director Community Capital Resources
MicrobizNY	Trevor Davis Coordinator
Broadway Stages	Tony Argento Owner
UnyTech	Richard Honen Member
Hunger Action Network	Andreas Kriefall Upstate Director

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Empire State Development

2010-2011 EXECUTIVE BUDGET
JOINT LEGISLATIVE HEARING
MONDAY, FEBRUARY 1, 2010
9:30 A.M.

Good morning, Chairman Farrell, Chairman Kruger and distinguished members of the Senate and the Assembly.

The Governor's 2010-11 Executive Budget is a budget of necessity, not of choice. New York is facing a $7.4 billion budget deficit and a long-term structural deficit of $60.8 billion over the next five years. Outlined in the Executive Budget are painful and difficult decisions that will affect the people of the State of New York. Delaying action will not only make the problem worse, it will make it harder to solve in the future.

However, despite the budget challenges ahead, we have many positives to highlight as well.

In Governor Paterson's State of the State Address, he outlined a plan to rebuild New York, a plan that will strengthen our State, grow our economy and get New Yorkers back to work. Empire State Development (ESD) will play a key role in that plan.

ESD's economic development initiatives have traditionally made targeted grants, loans and capital investments throughout the State that have yielded verifiable, real returns. However, tax incentives provided to businesses through the Empire Zone program have proven controversial. Spending for this program has increased dramatically; however, the State's return on its investment has been difficult to quantify and businesses participating in the program have not been held accountable. To be sure, the Empire Zones program has had its positive impacts, but the program lacks focus, transparency and its costs controls have ultimately proven untenable.

Throughout this past year, we worked with Governor Paterson and partnered with key stakeholders to develop an economic development program meant to set New York on a path of recovery and growth for years to come. We reached out to hundreds of businesses and communities across the state to find out how we can best build a program that delivers what it promises.

The Governor's proposed Excelsior Jobs Program increases accountability and ensures that New York makes the most on its investments. The Program, which is focused on the growth of the high tech and clean energy jobs of tomorrow, is the centerpiece of the most innovative job creation agenda in the history of New York. It includes three aggressive incentives for targeted growth industries creating at least 50 new jobs in New York:

The Excelsior New Jobs Tax Credit will be the backbone of the State's business attraction and expansion efforts providing a tax credit for up to five years to firms that create and maintain a set number of new jobs in New York, based on a portion of the payroll costs associated with those new jobs.

The Excelsior Jobs program will also include a robust Research and Development Tax Credit to support the Innovation Economy. The current Research and Development Tax Credit, which is only available to businesses investing in capital equipment, will be broadened under the Excelsior Program to encourage additional categories of research and developing spending.

The third incentive under this program will support capital investment through the Excelsior Investment Tax Credit. The Excelsior ITC is a new refundable tax credit for firms growing and expanding in New York.

In addition, the Governor's Budget proposes several other initiatives aimed at economic development and job creation focused on the core areas of Technology (New Economy), Traditional Manufacturing, and Small Business:

The New Technology Seed Fund is $25 million to help university-based entrepreneurs gain access to capital to build their businesses. Governor Paterson's vision is that the next Silicon Valley will exist right here in New York and this new program will help us achieve that goal. We will work with the State's investment community to provide early stage funding to companies that are developing and deploying advanced technologies to grow and invest in New York State.

Additionally, abandoned and underutilized manufacturing sites scattered across the State are serving as a visceral reminder of the State's historic manufacturing legacy and our recent decline in local jobs. The Manufacturing Legacy Program will re-purpose these abandoned industrial facilities. We propose facilitating robust partnerships with local non-profits and regional business leadership to attract new manufacturing businesses to these facilities, which will save jobs while spurring capital investment.

Lastly, a new Small Business Revolving Loan Fund will support a more diverse and competitive business climate by providing much needed access to capital for the state's small businesses. We will work with community-based financial organizations to deploy capital to small businesses that currently do not qualify for traditional funding.

These new economic development programs will work in tangent with our traditional programs, creating a network of assistance to attract, retain and grow jobs in New York State.

In addition to these proposed new programs, we also have great things happening across the state. ESD's city-shaping projects like Brooklyn's Atlantic Yards, the redevelopment of the Albany's Harriman State Office Campus, Rochester's Midtown Rising, and Buffalo's Canal Side project will further our goal to revitalize New York, put New Yorkers back to work, and redefine the face of our state for the future. More importantly, the capital investment going into these projects, both public and private, will produce long-term benefits for our communities.

Governor Paterson has tasked all of us with fostering economic growth and job creation in New York State on the principle that we must do more with less. This is why we used open source technology and in-house talent to create ESD's new website. Technology is the most important factor driving success in the 21st century and it is critical that we incorporate it into our go-to-market strategy to effectively and more clearly communicate with those who may want to locate or expand a business in New York State. The new website, launching today, was created internally at a cost under $1000.

The launch of our new website will mark another visible change within our agency.

Aside from my own new role as Chairman & CEO of Empire State Development, in 2009 we welcomed Peter Davidson, our Executive Director. With the addition of Peter to our already strong team, we have an individual who has brought specific attention to our subsidiaries and major development projects around the state; as well as assisted the organization in moving forward with our most fundamental priorities—job creation and retention and the attraction of businesses.

The 2010-11 Executive Budget also proposes a merger of the functions of the Empire State Development Corporation (ESDC) and the Department of Economic Development (DED) into the New York State Job Development Corporation. The New York State Job Development Corporation, a reconstituted New York State Job Development Authority, would be vested with all the powers, functions, duties, and responsibilities of the former ESDC and DED.

It is our responsibility to pursue the largest return on our investments. Whether it is paving the way for new companies to operate old manufacturing facilities, investment in nanotech research and development, or the development of older city centers to support livable communities, ESD is committed to ensuring that our investments are working to create the most efficient, productive and competitive economic development climate in the country.

ESD is enthusiastic and eager to work with each of you and to discuss ideas for how we can achieve our common goals.

Thank you.

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NYSTAR®

NEW YORK STATE FOUNDATION
FOR SCIENCE, TECHNOLOGY AND INNOVATION

Testimony Before the Joint Legislative Budget Committee Hearing on Economic Development

Edward Reinfurt
NYSTAR Executive Director

Hearing Room B, Legislative Office Building, Albany
February 1, 2010

Testimony for the Joint Legislative Budget Hearing for Economic Development

Chairman Kruger, Chairman Farrell, Chairman Stachowski, Chairman Schimminger, and distinguished members of the fiscal and economic development committees, it is a pleasure to have the opportunity to testify on NYSTAR's budget for 2010-11 and how it enables us to fulfill our mission to improve our state's economy through our work in technology development.

NYSTAR continues to be a strong advocate for innovation and collaboration and we remain committed to advancing high technology research and development. NYSTAR believe its programs and staff are important components of the state's economic development efforts. Maintaining NYSTAR's core mission is critical --- to advance commercialization through improved research and technology capabilities at our colleges, universities and companies --- and promote greater utilization of our technology assets in tangible ways which result in new products, new jobs and new industries.

NYSTAR connects companies who are interested in world class and cutting-edge research to researchers in technology areas which are important to businesses.

While the Governor has said that the Proposed Budget is one of necessity and not of choice; I am pleased that the initiatives and investments that the Governor proposed for New York move aggressively to prioritize, direct and focus its economic policies on the opportunities associated with the New Economy.

Why is this more important today than ever before?

As Governor Paterson stated in his "Bold Steps to the New Economy Address" in June, 2009:

> *"The economy New York has dominated for the past hundred years is rapidly transforming. We cannot continue to rely on a few juggernauts for economic growth. A New Economy is emerging – based on knowledge, technology, and innovation."*

The 2010-11 Executive Budget takes major steps in this direction through:

1. Consolidation and coordination of economic development functions;
2. Inclusion of major recommendations of the Task Forces on Small Business and on Diversifying the State's Economy;
3. Assignment of responsibility for the Centers of Excellence;
4. Maintenance of funding for priority NYSTAR programs; and
5. Creation of a state matching fund to leverage science and technology funds made available under the federal stimulus act.

NYSTAR's highest priority is to maintain and fulfill commitments from previous appropriations and investments. This includes insuring technology investments that the

Governor and Legislature supported in the past – in high technology infrastructure, equipment and research – is utilized and leveraged with industry for economic growth. A key component to any high technology infrastructure is the development of a skilled high tech workforce. WE HAVE MADE PROGRESS BUT WE CAN DO MORE!

CONSOLIDATON and COORDINATION OF ECONOMIC DEVELOPMENT FUNCTIONS

I have had the pleasure of working closely with ESDC president Dennis Mullen over the last year and a half and have seen how he has brought his extensive business experience to government in a very refreshing and effective way. He is a hard nosed negotiator for government as he was in business. He understands the need to be forthright, decisive and responsive to business. We both recognize the long term structural deficit that state is facing and understand that we must do more with less and restructuring is called for in the state's economic development structure.

President Mullen knows the importance of innovation in the new economy and the need for partnerships between businesses and academic leaders. Indeed, they are pillars in the economic development strategy he has developed. Our offices and those of other agencies involved in economic development have been charged to share resources and work more closely to accomplish the state's economic objectives. We look forward to continuing to do so.

TASK FORCE ON DIVERSIFYING THE NEW YORK STATE ECONOMY THROUGH INDUSTRY-HIGHER EDUCATION PARTNERSHIPS

The Task Force on Diversifying the New York State Economy through Industry – Higher Education Partnerships Final Report provides valuable recommendations for enhancing collaboration between academia, industry and government needed for New York State to be a leader in the technology global marketplace. I was honored to be a part of this Task Force chaired by David Skorton, president of Cornell and proud of the role NYSTAR is playing in the implementation of steps to develop an innovation ecosystem that will propel New York State forward.

The recommendations of the Task Force were guided by a vision statement which I quote in part:

> *"The elements that make up an innovation ecosystem – the technology-dependent industries, the knowledge-creating universities, the individuals seeking opportunity – require a future in which inventors and investors find each other with ease and collaborate free from artificial hurdles. For future growth, New York State will build upon its status as a leader in idea creation, and establish effective commercialization pipelines to convert those ideas into a more powerful, resilient economy."*

The Task Force's Report contained a sobering finding that I think we all need to hear:

> *"New York lacks a statewide culture that prioritizes commercialization activities and promotes university-industry collaboration on a variety of levels."*

There is much to be done to change this culture but I believe there is a willingness and, indeed, desire of business and academic leaders to be engaged in that effort. Perhaps, the greatest strength of the report involves the recommendations that business and academic leaders can implement themselves absent any formal government action.

One of the primary recommendations of the Task Force requires government action and fiscal support and this relates to funding to fill the need for early stage, seed funding for entrepreneurs seeking to turn their ideas into commercially viable companies.

This is a need expressed at every public hearing and in most private discussions.

The Executive Budget includes $25 million for this purpose and we support its adoption in the ESDC budget. The monies are intended to be deployed locally by regional organizations or university based organizations that must match state's funds with their own funds. They will have "skin in the game" and begin to grow our angel and early seed investor base. They will do the financial due diligence and provide the business mentoring assistance which often is lacking.

The Executive Budget also adopts one of the other recommendations of the Task Force – a strengthened R&D tax credit which will encourage our companies to put more of their development work of new products in New York State. This will help us fill the commercialization pipeline that has always been this nation's strength.

CENTERS OF EXCELLENCE

The proposed Executive Budget transfers oversight responsibility for the state's Centers of Excellence to NYSTAR. Over the last decade, these Centers represent the state's largest funding commitment to technology leadership. They are our technology flagships and it is only logical that they be aligned with the state's investments in Centers of Advanced Technology (CATS) and its other technology investments be they STAR Centers, GenNYsis Centers or smaller investments.

We look forward to working even more closely with each of the Centers and their directors as we embark upon leveraging our collective strengths for more and better jobs in New York State.

OVERALL NYSTAR FUNDING

Let me address the overall funding to the traditional NYSTAR programs. In the formulation of this budget, agencies and departments were asked to prioritize their budgets.

Our priorities were to 1) keep the technology commitments the state had already made, and 2) maintain funding for the Centers of Advanced Technology (CATS) and for the Regional Technology Development Corporations (RTDC's). This budget reflects those priorities.

The Executive Budget has proposed reductions of more that $1 billion in administrative spending across all agencies and NYSTAR is not immune. The operational cutbacks at NYSTAR are a 25% reduction in general fund spending and will test our managerial skills and require us to be more resourceful.

The proposed 2010 – 2011 Executive Budget also includes reductions for a few of NYSTAR's programs, specifically:

- The competitive Faculty Development Program and Technology Transfer Incentive Program which collectively are reduced by nearly $4 million dollars; and
- The FOCUS Center Program – a collaboration between RPI, SUNY Albany and the US Department of Defense and proposed for a reduction of $1.6 million.

INNOVATION ECONOMY MATCHING GRANT PROGRAM

In response to the opportunities that have been provided by the federal American Recovery and Reinvestment Act (ARRA), in June of 2009 Governor Paterson, in his Bold Steps to the New Economy speech, established the Innovation Economy Matching Grant Program. This $100 million program, which is administered by NYSTAR, provides a 10% match of federal stimulus funds to research institutions, organizations and companies that apply for funding from stimulus programs which have been approved for inclusion within the matching program.

To be approved, specific stimulus programs must first be found to benefit the strategic sectors of New York's innovation economy: renewable energy, clean tech, and smart grid; nanotechnology; stem cell; biomedical and life sciences; advanced manufacturing; broadband, information technology and cyber security.

Through January 2010, 38 competitive programs from five federal agencies have been approved by the Stimulus Cabinet as eligible to receive commitments from the Innovation Economy Matching Grant Program. The five federal agencies include the National Institutes of Health, the National Science Foundation, the Department of Energy, the National Institute of Standards and Technology and the Department of Commerce/US Department of Agriculture.

To date, NYSTAR has provided over 190 letters of commitment to universities, businesses and research organizations across New York State that have the potential of leveraging $1 billion in federal stimulus funding.

So far, 15 New York applicants under the program have received confirmation that they will be receiving $210 million in federal funds. Examples include:

- $39 million from the Department of Commerce/US Department of Agriculture for a grant from the Broadband Technology Opportunity and Rural Broadband programs serving Western New York, the Southern Tier, Rome, and the North Country;
- $75 million from the Department of Energy's SmartGrid Demonstration to Con Edison and New York State Electric and Gas; and
- $70 million for five Department of Energy grants for Energy Frontier Research Centers.

AMERICAN RECOVERY AND REINVESTMENT ACT

As you know last year the Federal government adopted the American Recovery and Reinvestment Act (ARRA) to provide funds to stimulate the American economy. Included within this act were substantial funds to be provided through federal agencies to fund research and development efforts at companies, universities and research institutions across the country to spur on the development of new technologies and products.

NYSTAR is tracking ARRA research funding in the state and we are happy to report that New York has been very successful in competing for these funds. So far New York State companies, universities and research institutions have successfully received over $1.1 billion in competitive research funds. Funding has been received from the National Institutes of Health; National Science Foundation; Department of Energy, National Institute of Standards and Technology, Department of Commerce and the US Department Agriculture. The funds are being spent in all regions of the state from Long Island to the North Country across to Western New York, with our top institutions being awarded for their exceptional research.

NYSTAR is mindful of the unprecedented financial crisis that has had not only an impact in New York, but around the world. By leveraging technology resources throughout the state, we can strengthen the security and productivity of jobs while investing in the future. We can do this because New York is home to the most brilliant minds, the most creative entrepreneurs, and the most advanced technology and innovation. NYSTAR is pleased that Governor Paterson has continued his commitment to high technology investment and advancing the Innovation Economy in New York.

PUBLIC HIGHER EDUCATION EMPOWERMENT AND INNOVATION ACT

Finally, a NYSTAR Board Meeting conflict kept me from testifying before the Higher Education Budget Committee last week. If you will indulge me, I wish to offer NYSTAR's strong support for the Governor's Higher Education reform proposals.

The Public Higher Education Empowerment and Innovation Act will provide SUNY and CUNY more flexibility and greater opportunity to improve their operations and performance while becoming centers of job creation.

We must empower our campus leaders to bring about the change which they, their faculty, their alumni and their students desire. It is time for bold steps to jettison responsibility for this change.

I have had the opportunity to work with many of the SUNY and CUNY presidents. I have worked with many of the heads of centers and departments. I know how talented and committed they are. I also know of the frustration that they have expressed with the bureaucracy and obstacles they face.

I don't know how many other opportunities you will face this year where the priority request isn't for more money but more flexibility, more local control. The priority request for support put forth by both Chancellor Zimpher and Chancellor Goldstein is actually more than a priority request. It is a legacy request. This is one of the most important decisions you will make to empower the SUNY and CUNY to reach its true potential. We urge you to act decisively in support of this long overdue measure.

The 2010-11 Executive Budget presents both challenges and opportunities to transform our economy and provide more well-paying jobs for our citizens.

We appreciate the additional responsibilities proposed by Governor Paterson and look forward to working with you to build an Innovation Economy that ensures a bright future for all New Yorkers.

Thank you.

Attachment #1

Region	Total Stimulus Research Funds Received	National Institutes of Health	National Science Foundation	Department of Energy	Other
Capital Region	$103,466,848	$17,270,755	$11,812,218	$68,911,415	$5,472,460
Central New York	$13,853,446	$3,760,502	$10,092,944	$0	$0
Finger Lakes	$41,277,122	$31,359,806	$6,772,412	$1,239,071	$1,905,833
Hudson Valley	$15,674,652	$7,522,555	$1,943,705	$4,714,351	$1,494,041
Long Island	$268,599,278	$52,145,598	$12,029,248	$204,424,432	$0
Mohawk Valley	$0	$0	$0	$0	$0
New York City	$511,127,220	$250,733,409	$52,854,471	$206,139,340	$1,400,000
North Country	$6,716,560	$4,370,444	$1,813,252	$0	$532,864
Southern Tier	$106,162,100	$14,271,715	$44,137,757	$47,477,628	$275,000
Western New York	$33,031,936	$25,251,308	$7,780,628	$0	$0
Total	**$1,099,909,162**	**$406,686,092**	**$149,236,635**	**$532,906,237**	**$11,080,198**

Attachment #2

Federal Agency	Federal Program	Federal Funds Requested	State Funds Requested	# of Requests Received	# of Grants Received	Program Total State Funds Obligated
NIH	Extramural Research Facilities Improvement	$440,043,199	$43,997,977	35		
DOE	Demonstration of Integrated Biorefinery Operations	$97,317,876	$9,431,787	5		
NIH	Community Participation in Health Disparities Intervention Research	$4,509,793	$450,979	5	1	$104,437
NIH	Dissertation Research Awards	$77,533	$7,753	1	1	$7,753
DOE	Enhanced Geothermal Systems Demonstrations	$3,500,000	$350,000	2	0	$0
DOE	Energy Efficient Information and Communication Technology	$29,301,425	$2,930,578	9	1	$280,000
DOE	Industrial Energy Efficiency	$38,114,039	$3,802,404	3		
NIST	Measurement Science and Engineering Research Grant	$8,784,239	$811,927	8	0	$0
DOE	Solar Market Transformation	$3,500,000	$350,000	1		
DOE	Wind Energy Consortia	$23,494,260	$2,349,426	2		
DOE	Geothermal Technologies Program	$300,000	$30,000	1	0	$0
NSF	Major Research Instrumentation	$30,192,860	$2,969,284	11		
NIST	Construction Program	$68,200,000	$6,820,000	5	0	$0
DOE	Advanced Energy Efficient Building Technologies	$4,448,621	$444,862	3		
NSF	Academic Research Infrastructure	$48,947,044	$4,894,683	13	1	$197,000
DOC / USDA	Broadband Technology Opportunity and Rural Broadband programs	$157,202,820	$15,720,279	15	2	$4,505,324
DOE	Smart Grid Demonstrations*	$126,792,296	$10,000,000	8	4	$8,608,829
DOE	Advanced Research Project Agency - Energy	$39,015,000	$3,766,500	11	0	
DOE	SBIR Phase I	$1,191,238	$119,103	8	1	$14,904
NIH	Core Facility Renovation, Repair and Improvement	$145,845,618	$14,581,492	23		
DOE	Energy Frontier Research Centers		$7,390,664	5	5	$7,390,664
NIH	Human Health by Immunology and Vaccines	$41,240,648	$4,124,064	3		
DOE	Workforce Training for the Electric Power Sector	$8,057,877	$805,787	5		
NIH	Building Sustainable Community Linked Infrastructure to Enable Health Science Research	$7,895,065	$788,557	8		
DOE	ARPA-E Advanced Carbon Capture Technology	$2,800,000	$280,000	1		
HHS	Strategic Health IT Advanced Research Projects (SHARP)	$18,000,000	$921,422	1		
HHS	Community College Consortia	$14,558,000	$665,000	1		
HHS	Information Technology Professionals in Healthcare	$4,611,000	$461,000	1		
Totals		**$1,367,940,451**	**$139,265,528**	**194**	**16**	**$21,108,911**

* There is a $10 million cap on investments to be made into SmartGrid Demonstrations projects

Total State Commitment for successful Innovation Economy awards **$21,108,911**

Current Liability for Unannounced Federal Solicitations **$101,885,700**

ADDENDUM OF INFORMATION AND PERFORMANCE UPDATES ON TECHNOLOGY PROGRAMS MENTIONED IN BUDGET TESTIMONY

Centers of Excellence

The Centers of Excellence foster critical collaborations linking the academic and research community with the business sector to develop and commercialize new products and technologies, promote critical private sector investment in emerging high technology fields, and create and expand technology-related business and employment. Together with their partners, leaders of industry and innovation, the Centers of Excellence are striving to push New York State "ever higher," transforming our economy and our lives for the better.

The Center of Excellence in Nanoelectronics, at SUNY Albany, is the only 300-millimer computer wafer pilot prototyping facility in the world providing critical laboratory and clean room space for research, incubator space for high-tech company spin-offs, and has a workforce development program. Home to International SEMATECH North, this world class research and development center is developing the next generation computer chip technology.

The Center of Excellence in Environmental Systems, in Syracuse, focuses their research efforts on indoor environments, indoor air quality, comfort, lighting, acoustics, and intelligent controls.

The Center of Excellence in Small Scale Systems Integration and Packaging at Binghamton, focuses on the development of new electronic applications that will enhance the way people live and interact with their surroundings.

The Center of Excellence in Wireless Internet & Information Technology, at SUNY Stony Brook, focuses on large scale computing and data mining critical to genomics and other data intensive areas, Internet applications, wireless telecommunications, health care applications, and workforce development programs.

The Center of Excellence in Photonics, in Rochester, focuses on creating technology transfer and pilot fabrication facilities for high-resolution imaging and ultra-fast communications devices that can be shared by Center partners to accelerate product development.

The New York State Center of Excellence in Bioinformatics & Life Sciences in Buffalo was created as part of more than $200 million dollars in investment from state, federal, industry and philanthropic sources to create a hub of life sciences expertise and innovation in Upstate New York. The Center also specializes in drug design research, computational and three-dimensional visualization, product commercialization and workforce training.

Centers for Advanced Technology (CATs)

The Centers for Advanced Technology or CATs, support university-industry collaborative research and technology in commercially relevant technologies. 15 CATs located at 13 research universities across the state act as an entry point for businesses looking to develop new or improved technology related products. The CATs not only provide companies with research support to expand and grow their companies, they use students on research projects and internships creating the skilled workforce necessary to compete in a global marketplace. Each CAT is designated in specific high technology areas, ranging from thin films to biotechnology, materials processing, and nanotechnology.

Here are two examples of the work the CATs are doing with their New York State industry partners:

The CAT at Cornell has been working with an early-stage Chemical company called Novomer. Novomer is a new materials company that works with high-performance green plastics, polymers and other chemicals. Their first specialty products were biodegradable aliphatic polycarbonate copolymers or APC's. These APC's had unique capabilities that made it beneficial to use in manufacturing medical devices, energy storage, and electronic manufacturing. Their work on these materials with Cornell focused on the area of battery materials and fuel cell technology. As a result of the work they did with the CAT over the last year Novomer had approximately $200,000 in cost savings and secured $1.2 million in funding from various sources.

The Center for Advanced Technology in Telecommunications and Distributed Information Systems (CATT) at **Polytechnic Institute** of New York University is collaborating with Cisco, Verizon Laboratories and the CAT at Columbia University to develop breakthrough security technology to speed processing and secure voice traffic on the Internet. Verizon has begun a program for the delivery of advanced voice and data services over Internet Protocol that will require security measures to protect both the service providing network assets and the customer networks from intrusions that can cause network losses, customer problems and loss of revenue. Because of the research conducted on this project, Verizon expects to see an annual reduction in fraud of around $80 million.

NYSTAR Funded Faculty

19 researchers who were funded through either the Faculty Development Program or the James D. Watson Program have been recipients of 21 ARRA funded research projects totaling $9.6 million from the National Institutes of Health, the National Science Foundation and the Department of Energy. Among these exceptional researchers are: Dr. Chris Henderson from Columbia University, named in 2009 as one of Time magazine's "Top 10 Medical Breakthroughs of 2008" for his research of ALS patients, and Dr. E. Manolis Tzanakakis from the University at Buffalo. Both were recognized for their

cutting edge research reinforcing New York's investment in stem cell biology paving the way for cell-based therapies in this emerging biotechnology field.

We are encouraged by the investments made in science, technology, engineering, and mathematics (STEM) education. The American COMPETES Act has provided much needed resources to strengthen our capabilities in science and technology and will prepare the next generation for future challenges to be faced.

Regional Technology Development Centers

The Regional Technology Development Center (RTDC) program is part of the National Institute of Standards and Technology's (NIST) Manufacturing Extension Program (MEP). Each center was created to help increase the competitiveness of small and medium-sized manufacturers. Each RTDC is able to assist their clients through hands-on delivery from knowledgeable manufacturing and business specialists. The RTDC program leverages funds from the Federal MEP program and New York State programs with support from local governments and businesses to provide a continuum of services for New York's startup companies and small and medium-sized manufacturers.

Here are some examples of the successes that the RTDCs have had working with New York companies.

Alliance for Manufacturing and Technology (AM&T) Center -
Audiosears, Inc., located in Stamford, New York, employs about 90 people and manufactures high quality telecommunications equipment for the telecommunications industry. For over 50 years, Audiosears has gained increasing recognition and acceptance as a leading domestic manufacturer of custom and standard handsets, headsets, and component parts for most telecommunications applications. Audiosears maintains labs for electrical and mechanical design, maintenance, quality control, and environmental testing in Stamford. The business is family owned and operated. AM&T provided assistance to Audiosears, resulting in an increased customer base, improvements in operations and improved on-time delivery.

Hudson Valley Technology Development Center (HVTDC) -
Since 1983, SELUX Corporation has made its home in Highland, New York. With over 140 employees, SELUX manufacturers and distributes interior and exterior lighting fixtures for projects throughout North America. SELUX has been on the cutting edge in innovative lighting. SELUX contacted HVTDC to update their strategic plan. After a series of strategic meetings, additional key performance indicators with targets for achievement were identified. By identifying and reporting on all of their performance indicators, SELUX was able to start to realizing positive outcomes in a relatively short period of time.

Insyte Consulting -
Accellent, Inc. is an OEM contract manufacturer of precision parts, particularly titanium and other light metals, for the medical and critical-care industries. Its major product lines

include surgical probes, bone screws, surgical staples and graspers. Manufacturing operations are conducted within two modern, single story facilities; one of about 40,000 square feet (machining of titanium on Swiss Machines) and the other of 20,000 square feet (metal injection molding) in Orchard Park, NY. They currently employ 253 people. Accellent, Inc. contracted with Insyte Consulting to study and upgrade their safety program. As a result of this partnership, the number of recordable accidents has been reduced by over 60%, with a significant projected annual cost savings. The capabilities of the internal Safety Committee were also enhanced to the point where continued improvement is realized on an ongoing basis. Finally, the structure that was introduced into the Orchard Park facilities is being introduced into other Accellent, Inc. plants throughout the country.

NYSTAR's CATs and RTDCs continue to play a significant role in driving our State into the New Economy of the 21st Century by assisting companies and researchers with sharing and transferring knowledge, technology, and innovation.

Commitment to Capital Investments

Stony Brook University dedicated and opened its Star Center in Biomolecular Diagnostics and Therapeutics in September. NYSTAR's $15 million investment will aid this Center to advance discovery-based research and technology development in the areas of functional genomics instrumentation, gene discovery, drug design and delivery, and smart micro and nano-based biomaterials and biosensors. The Center co-locates new initiatives of both the Medical Biotechnology and Sensor Systems Centers for Advanced Technology with the newly established Department of Biomedical Engineering and research leaders in diverse disciplines, collaborating with other leading scientists on and off- campus.

The Syracuse University Center of Excellence will dedicate its new LEED Platinum Headquarters on March 5th. NYSTAR's $15 million STAR Center is an integral part of the facility. The Center is a "Living Laboratory" that creates a test bed for innovations in environmental and energy systems, and will have both laboratory and office space for research and business collaborations.

Small Business Technology Investment Fund

A critical resource needed in getting technology from the lab to the market place is access to seed and very early stage funding.

To address this need, the Small Business Technology Investment Fund (SBTIF) was established and over an eleven year period ending in 1994, received $12.5 million from the State. Since 1994, the Fund has not received any additional monies; and has existed and continued operations in an 'ever green', manner through revolving capital returns from prior successful investments.

The fund has made direct investment in 113 early stage high technology oriented companies from every region in the State. These investments leveraged $164.8 million in co-investment capital from private venture funds for investment in New York State companies.

NYSTAR is actively engaged in promoting Regional Seed Funds, which allow very small investments ($50K to $200K) through collaboration with local university and investor partnerships. The Western New York Business Development Fund has operated in partnership with NYSTAR, UB and Erie County IDA for many years and NYCSeed is a new (2008) regional seed fund that is a partnership of Polytechnic University, NYC Investment Fund and NYSTAR.

In addition to direct Investments, the SBTIF has also actively assisted fledging companies that might not be appropriate for Venture Funding -- by directing them to NYSTAR's Regional Technology Development Centers or the appropriate CAT or to University based research that might accelerate their development. The Fund actively works with the tech transfer offices of Universities and Research facilities across the State to identify and assist emerging technology companies.

High Performance Computing

NYSTAR put together a two-part program to maximize the use of the supercomputing assets in New York. The HPC Allocation Program allows for the allocation of computing time to experienced researchers and businesses so they can facilitate research and advanced science.

Currently, the supercomputers at RPI and Stony Brook have nearly 700 active researchers. A majority of these researchers are working on projects that have federal dollars associated with their research. Many of these researchers have told NYSTAR that in order to conduct their research, they would have had to be selected or wait for extended periods of time for access to these type of machines. Access to these machines gives these researchers a competitive advantage over researchers in other parts of the country who do not have these resources readily available by allowing them to finish their research faster and publish their results quicker.

In addition to the academic community, this program has also enabled businesses both large and small to tackle some of their biggest challenges, allowing them to maintain their competitive advantage globally. In the case of one business, its whole production is dependent on supercomputing for a new area of research. There are many businesses that are using these assets under confidential agreements like Boeing, Northrop Grumman, Proctor and Gamble, and Philip Morris.

Gene Network Sciences (GNS), located in Ithaca, uses the RPI supercomputer to do proprietary reverse engineering for drug discovery.

Gould Pumps is using the RPI supercomputer to do fluid dynamic modeling to solve very complex industrial pump problems.

KODAK's use of the supercomputers is helping them remain competitive in the very competitive printing market. These computers, as well as the expertise at our academic centers, are providing resources to remain competitive and potentially have break through products that could increase market share dramatically.

The second component of the HPC program is the HPC Assistance Program. This program is the result of numerous meetings NYSTAR conducted that identified the single biggest challenge facing high performance computing and Simulation Based Engineering Sciences (SBES) is the human factor, or the hands-on assistance needed for researchers who are not computer experts to get their research on these extremely complex machines. The program solicitation resulted in a statewide High Performance Computing Consortium (HPC2) located at Stony Brook, RPI, and the University at Buffalo. Each center works with each other to provide hands-on assistance to public and private researchers and businesses located throughout the state.

The HPC Assistance Program is off to a quick start and has hired six computational scientists and programmers from around the country. These computer programmers and computational scientists are training and reaching out to domain experts and businesses to assist them in their efforts. The consortium has also begun building the nation's first ever virtual HPC HUB, which will capture all of the training, seminars and applications to allow a one-stop-shop web portal where research scientists can find help and ask for assistance with respect to HPC. This HUB is in collaboration with Purdue University and is not yet public but can be viewed at http://hpc2.org. This Hub will allow users to execute complex code from any computer with a connection to the internet. The HPC2 is also in talks with software vendors and companies to provide comprehensive training materials on the site for users of all ages to get information on how to use high performance computing. This site is set to go live in spring of 2010.

Broadband – CIO/OFT

NYSTAR has partnered with CIO/OFT to improve Broadband access for New York. With Executive Order 22 a new revised Broadband Development and Deployment Council was formed, as well as three technical committees. NYSTAR sits as a council member and Chairs the Broadband Committee on Economic Development. NYSTAR's Director of High Performance Computing chairs the Technical Committee of Broadband Policy. Through NYSTAR's unique access to the education and business community NYSTAR was able to assist the CIO in developing a policy framework which has proven to be one of the best in the nation. This has resulted in encouraging a unique collaboration between the private sector and academic community resulting in one of the largest federal broadband awards to be given to New York State.

ION Proposal was awarded $39 million dollars to lay the foundation for a robust network to some of New York's most isolated communities. This multi-year project will begin to lay the foundation of revitalizing communities in the North Country as well as the southern tier, while connecting some of our more isolated academic instituitions to New York's world class academic infrastructure.

NYSTAR is excited about the partnership with CIO/OFT and the opportunity to help the Broadband Council align important resources to benefit the academic and private sector needs. With the continued funding at the federal level for broadband development this alignment has proved to be an important one in getting broadband access to areas of the state that have been left behind. Improving the State's broadband infrastructure creates more jobs, more revenue, and a better quality of life for our citizens.

Energy Research and Development Infrastructure

Identifying the needs and investments required for an energy infrastructure includes Smart Grid. The New York Smart Grid Consortium, in which NYSTAR participates, plans to coordinate and transform today's electrical transmission and distribution network through large scale energy storage technologies capable of harnessing renewable wind and solar power. Positioning New York as a leader in storage technology development will move the State into a clean energy economy.

NYSTAR is an active partner in the New York Battery and Energy Storage Technology Consortium (NY BEST) with the New York State Energy Research and Development and Development Authority (NYSERDA) capitalizing on the wealth of academic, technical and industrial capabilities that will pose New York as a leader in energy storage technology, reinforce the use of clean energy and provide opportunities for job creation and economic growth. In 2009 NYSTAR created a portfolio of Energy Storage Expertise at New York's Universities and Labs including work in energy storage, advanced battery technologies, new materials, fuels cells, and other power storage systems, researchers, and projects. The tool can be found on the NYSTAR Research Equipment and Facilities database at: http://www.nystar.state.ny.us/ref/index.htm.

NYSTAR worked with the New York Academy of Sciences and NYSERDA on an Energy Prioritization Summit, Innovation & Clean Technology in New York State, which engaged university, industry, and governmental leaders in the energy sector that identified New York's clean technology assets and energy strengths.

Inventory of Research Assets

NYSTAR is currently developing a prototype of a new website, BioNY, that will act as a one-stop shop for New York's thriving life science community to both enhance and accelerate to commercialization of technologies being developed and manufactured in New York State.

To help encourage collaboration and attract additional federal research funds to New York, this website will contain profiles of New York biotechnology companies and research centers, a database containing profiles of researchers, a database of life science related university patents awarded starting with those awarded in 2009, and a list of federal funding opportunities. Researchers and companies will be able to search for other researchers and companies to establish new collaborations, and develop stronger applications for federal research dollars.

To help people find new jobs within the life sciences community there will be a place on the website where employment opportunities, student internships or post doctoral positions that companies and universities are looking to fill will be posted.

The site will contain a calendar of life science related events that will be taking place across the state and will also provide a place for companies and researchers to post scientific articles, press releases and electronic newsletters.

Finally, the site will contain contact information for regional economic and business development organizations that can work with companies as they grow.

Inventory of New York Technology Capabilities for Companies

NYSTAR has created customized portfolios of New York State technology assets and resources that can assist companies with research and product development.

Inventories of technology discoveries, best-in-class research teams, and facilities have been prepared for proposals to out-of-state company prospects that New York is seeking to recruit and for in-state companies to help augment their internal staff with the capabilities of our universities and labs. Based on company's technology priorities and needs, in-depth inventories have been prepared in:

- Biomedical information technology
- Drug development
- Regenerative medicine
- Cellulosic ethanol
- Fuel cells
- Photovoltaic solar cells
- Wind turbines
- Sensor systems

Non-proprietary versions of each are available on NYSTAR's Web site. As new inventories are prepared, this list will continue to grow.

The Business Council

Testimony to

Senate Finance Committee and Assembly Ways and Means Committee

Joint Legislative Public Hearings On 2010-2011 Executive Budget Proposal

Presented by

Kenneth Adams
President

February 1, 2010

Governor David Paterson's Executive Budget takes a step in the right direction for New York by showing restraint in new spending and restraint in new taxes. While not perfect, the budget proposal is being positively received by many major private sector employers within our membership.

Our basic message today is to urge the Senate and Assembly to follow the Governor's lead and adopt a no-growth budget, and avoid adding spending and taxes that are simply unaffordable for both the state's business sector and its residents.

This is important not only to bring the state's fiscal house into order, but to improve New York's economic climate and promote new private sector investment and the creation and retention of good paying private sector jobs - a goal that I believe is shared by everyone in this room today.

We understand that, with the Governor, you have the difficult task of closing a $7.4 billion gap between projected income and potential spending.

But we cannot expect to fix this problem without an honest assessment of its cause. This $7.4 billion gap is primarily the result of years of unsustainable increases in state spending. Over the five fiscal years from FY 2004 to FY 2009, inclusive, New York's state-funded spending has increased at more than double the inflation rate, 46 percent to 17 percent.

If the budget had grown at the rate of inflation over this same time period, the FY 2009 budget would have been nearly $18 billion less! New York would have entered the current recession year facing a manageable downturn in revenues, not $7.4 billion gap in the new budget and a massive, $60 billion, four year gap.

The proposed budget would result in a 0.9% increase in state tax and fee supported spending for Fiscal 2011. That figure illustrates unusual spending constraint for New York State, below both the current rate of inflation and the expected growth in personal income.

Even so, the spending cuts proposed by Governor Paterson are frankly not as aggressive as many in the private sector had hoped for, nor as aggressive as needed to solve New York State longer term needs.

I say that for several reasons.

While the Governor's proposal – if approved by the legislature – would produce a balanced budget for the new state fiscal year beginning April 1, it falls well short of solving the state's structural imbalance between spending and income, leaving the state with a projected total of $30 billion in deficits over the subsequent three budget years.

While the Executive Budget contained some reasonable reforms in Medicaid, it does not include a reduction in total Medicaid spending. At roughly $51.5 billion in total spending, Medicaid is the state's single most costly program. It also consumes $14.6 billion in state tax revenues, and spending of state-generated funds for Medicaid is slated to increase by $1.1 billion, or 8.3 percent, in the new budget. When short-term federal assistance for Medicaid expires in 2011, it will leave an immediate $4 billion hole in the state's current Medicaid budget. Clearly, more reforms and more cost controls are needed.

Finally, the state's spending excesses - and the new taxes necessary to support them - were damaging enough when the economy was growing. They are unrealistic given expectations of continued economic weakness in New York State, and the nation overall. The Division of Budget projects that unemployment in New York will stay above 8% through 2012, personal income will not recover to 2007 levels until 2013, and that capital gains in 2010 will be one-half of 2007 levels. Given this sobering economic forecast, it is unclear whether a 1 percent increase in state spending is affordable.

REVENUE MEASURES

We appreciate that the Executive Budget proposal for Fiscal 2011 contains far fewer tax and fee proposals and substantially less in new tax revenues than were adopted last year, which saw a total of $6.5 billion in new costs imposed through the budget and the subsequent MTA bailout bill. This year, the budget proposal would increase state taxes and fees by up to $1 billion in the new fiscal year, and even more in later years once these changes became fully effective.

Tax proposals in the Executive Budget have the effect of increasing the cost of doing business in New York, imposing increased costs on New York State residents -- or both. These ill effects are even more damaging with an economy just now showing some signs of recovery.

Let me focus on several revenue proposals of greatest concern.

- Year after year, our members tell us that the employer-provided health care is their most significant cost-of-doing business issues in New York. Last year alone, New York increased health care related taxes and fees by some $700 million, and overall imposes more than $4 billion a year in taxes on health insurance coverage. By pushing premiums higher, these taxes will force more business owners – particularly small business owners – to shift more of the cost to their employees, or to reduce or eliminate coverage -- driving up the ranks of the state's uninsured and shifting costs to state taxpayer supported coverage. The Business Council opposes the $240 million in increased taxes on hospital inpatient services, certain non-hospital services and nursing home care proposed in the Executive Budget.

- One budget proposal will have the effect of raising taxes at the local, rather than state level. The budget would give all cities and villages the authority to increase their gross receipts taxes on energy and telecommunications utilities from 1 percent to 3 percent. Not counting three of the state's largest cities – Yonkers, Rochester and Buffalo – that already impose 3 percent utility gross receipts taxes, this proposal could easily result in more than $100 million in new local level utility taxes, which would then be passed on to individual and business consumers. Let's not forget that these proposed utility taxes come on top of $700 million in increased energy taxes approved in the current year's budget through the so-called Section 18-a assessment.

- Justified by some as an "anti-obesity" measure, the budget proposes a whopping $1 billion per year in new taxes on sugared soft drinks (the Executive Budget projects these taxes will produce $450 million in Fiscal 2011, $1 billion per year once fully implemented.) Even if this proposal achieved its ascribed reduction in soda consumption, we see this as a huge burden on a narrow sector of the economy, and – ultimately - a regressive tax on consumers. We believe this is both bad tax policy, and ineffective public health policy.

- We also question the proposal to raise another $210 million per year from a $1 increase per pack increase in the state's cigarette tax, from $2.75 to $3.75. Intended to deter smoking, it is unclear whether it will have that effect, or simply drive smokers to internet or other purchasing options in order to avoid state-level taxes, further strengthening the vibrant black market. We urge full enforcement of existing laws as a necessary and responsible alternative.

OTHER BUDGET ISSUES/INITIATIVES

The Executive Budget typically proposes policy initiatives, in addition to appropriations and revenue measures. Often, these initiatives have significant impact on the state's business climate as well. I would like to briefly comment on several of these "Article VII" issues.

Spending Cap – We support the Governor's proposal for a spending cap that limits growth in the state operating funds budget to the average rate of inflation from the three prior calendar years. As we mentioned earlier, had the state imposed reasonable limits on the growth of state spending in previous years, we would be facing a significantly different, and far more manageable, budget gap today.

Mandate Relief/RPT Relief - The Business Council supports the Governor's call for mandate relief to allow local governments to reduce spending. New York also needs a property tax cap to prevent a shift in the tax burden from the state level to the local level. We do not support the circuit breaker as proposed in the Executive Budget, as it will have the same fatal flaw as does the STAR program – it treats the symptom of excessive local taxes by offsetting the financial burden on residential taxpayers, but does nothing to cure the underlying problem of excessive size and cost of local governments. Moreover, neither STAR nor a circuit breaker will provide relief from the crushing burden of real property taxes on the business community – and in fact may exacerbate the problem by masking the impact of real property tax increases on residential taxpayers with state dollars.

Prior Approval - The Business Council continues to oppose the Executive Budget's proposal to reinstate prior approval for health insurance rates. Prior approval would simply masks the underlying causes of health care cost increases, and will limit competition in the health insurance market. There are alternatives to promoting lower costs for group health coverage, including adoption of so-called "Freedom Health Plans," that reduce the cost of employer-provided health care by stripping away many of the state-imposed mandates on group health coverage.

Marketing Restrictions – Given the state's focus on promoting growth in technology sectors, including life sciences, The Business Council continues to oppose the pharmaceutical marketing restrictions included in the Executive Budget, as they would adversely impact on the research-based bio-pharmaceutical sector's ability to do business in New York State. Pharmaceutical products and technological innovation play important roles in the advancement of medicine in the United States, leading to improvements in public health and extended lives for our citizens. We believe this legislation will impair effective communication between the pharmaceutical industry and doctors, and discourage industry investment in New York State.

Wine In Grocery Stores – Occasionally, new taxes and fees are welcome – if they are the result of expanded economic opportunity. As example, the Executive Budget would generate $93 million in new license fees under a proposal to allow the sale of wine in grocery stores something already allowed in 34 other states, and is strongly supported by New York State consumers. Allowing supermarkets and grocery stores to sell wine will create new markets for upstate and Long Island wineries, help support the states agribusiness, and promote new jobs and investments in that sector. Importantly, to help provide a "level playing field," the bill also gives significant new flexibility to liquor stores, allowing them to broaden their product mix and customer base.

FOCUS ON JOBS

Our job growth has lagged behind national trends for the past two decades. New York grew at about half the national rate during the 1990's, about 60 percent of the national rate in the 2000's. Too many New Yorkers, especially the young and well educated, continue to leave for better job opportunities in other states. New York's high cost-of-doing business – taxes, especially RPT; energy costs, health care costs and others – discourage new investments by existing business, smother entrepreneurs and limit the creation of new businesses and new jobs in emerging technology sectors.

Because of our weak competitive position, New York has lagged significantly behind national trends in recovering from the last two recessions.

We need to become more competitive, not less, in order to fully participate in the eventual national economic recovery.

We believe that the most effective economic development program would be a more competitive business climate. We need to control state-imposed cost mandates on employers, reduce the cost of energy, and lower real property taxes.

Recognizing that these types of major business climate improvements will take time, we also believe the state needs to continue to offer effective, efficient economic incentive programs that target strategic industries and that produce significant returns on the state's "investment."

As the Empire Zones program expires this June, the state should consider multiple programs, each designed to address specific development objectives, including:

- Capital reinvestment in existing business, to help retain valuable employers and high paying jobs. This could include QEZE-type benefits based on significant capital investment and job retention; enhanced investment tax credits; and/or by exempting investment-based credits from the state's alternative minimum tax.

- Job creation at new and existing business; these could include new employee-based tax credits, and credits based on a percentage of state personal income tax revenues derived from new employees. These types of wage-based employment incentives would also be effective in promoting job growth and development in distressed urban areas (the original focus of the empire zone program).

- Support of emerging technology sectors, with support for business growth, R&D, and commercialization of new products. This could include: expansion and extension of the Qualified Emerging Technology Company credit; pilot implementation of the "regional partnership" program adopted in 2005; a new capital grants program for emerging high tech companies (as proposed in the 2010 Executive Budget).

While we believe in the proposed "Excelsior" program includes some of the right economic development tools we need in New York State, overall we believe the proposed Excelsior Jobs program would fall short of achieving the state's critical economic development and job growth needs.

For example, the basic eligibility threshold of fifty new jobs, compared to a baseline of the prior three years, will eliminate from eligibility many - if not most - businesses in its targeted technology-based sectors. Likewise, we believe that tying the proposed enhanced research and development credit to this same job creation threshold will limit its effect in promoting new research investment in New York.

Moreover, New York needs to do more than encourage new job growth. It needs to focus on reinvestment and job retention. The Excelsior program does nothing to assist our incumbent businesses looking at new capital investments necessary to increase their competitiveness, and the overall budget contains limited resources that would be available to Empire State Development to provide capital investment and job retention incentives.

OPPORTUNITIES FOR FURTHER SPENDING RESTRAINT

In order to eliminate addition taxes, and to accommodate necessary economic development efforts, the state needs to identify and implement additional spending controls.

The Business Council believes there are real opportunities for significant further cuts in state spending. The Business Council, the Empire Center, Citizen's Budget Commission and others have identified a wide range of options. The opportunities are there, the need for spending control is evident. Now we need to garner the necessarily political will.

These cuts will not be easy, and will not be painless, but we see further, permanent reductions in our base level spending as essential for the long term stability of state finances, and a prerequisite for achieving a more competitive economy.

Cost cutting opportunities include:

- Accelerate phase out of STAR - $400 million. Even with the elimination of middle class rebates ($1.7 billion), STAR still costs $3.25 billion. A six year phase-out with 12.5% reduction in FY 2011 saves over $400 million.

- Tightening eligibility for long-term care under Medicaid could save $400 million per year; controlling excessive utilization of personal care services and expanding managed care for Medicaid recipients could save another $600 million. Moreover, we need to look at the models of less expensive states and find additional long term fixes. Mandatory managed care and elimination of categories of expenditures should be evaluated for improved health management and potential savings.

- Reduce state retiree benefit costs could save $630 million. The state should require a greater share of health insurance premiums to be paid by current and retired employees, bringing healthcare contributions in line with those of other public sector employees. Retirees (many of whom are eligible for Medicare), should be required to pay a 50 percent contribution to their premium costs and eliminate reimbursement for Medicare Part B premiums.

- Reduce current employee benefit costs by $75 million. For current employees, the Legislature should increase contributions to family healthcare plans from 18 percent to 22 percent, for a savings of $75 million annually.

- Consolidate small school districts - $160 million (not all state savings).

- Close underutilized state facilities - $280 million. The Legislature should thoroughly review all the large institutions that the State continues to run to determine which facilities can be closed or consolidated. In the case of prisons, for example, if the Department of Correction's staff and facilities were reduced to a level commensurate with the 15 percent decline in inmate population, the State would save $280 million annually.

SUMMARY/CONCLUSION

This year's budget decisions will have long term ramifications for the state, as we work toward state and national economic recovery. I greatly appreciate the opportunity to share viewpoints and concerns of importance to The Business Council and our members. I look forward to any opportunity to follow up with you on any issue addressed in our testimony today.

kp

N E W Y O R K S T A T E Economic Development Council

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MEMORANDUM

February 1, 2010

TO: Senate and Assembly Fiscal Committee members

FROM: Brian McMahon

RE: Comments on the Governor's proposed 2010 – 2011 State Budget

New York: The Start-up State

Good morning and thank you for the opportunity to provide comments on the Governor's budget. For the record, my name is Brian McMahon, and I am the Executive Director of the New York State Economic Development Council.

The Governor's budget reflects the very difficult economic times in which the state, its businesses, and its citizens find themselves. Since the recession began, New York has lost more than 270,000 private sector jobs, nearly 70,000 from Wall Street alone. We commend Governor Paterson for proposing a budget that recognizes these harsh realities and does not raise general tax rates and keeps spending increases to below the rate of inflation.

Solutions to the states chronic budget deficits (which did not begin in December 2008 when the recession started) must include strategies for economic growth. Without a growing tax base, New York and its municipalities will continue to be burdened by growing fixed expenditures without increased revenues to pay for them.

We would like to frame our comments in the context of what an effective economic development strategy for the state should include. A recent report by the Kauffman Foundation called, "Where Will the Jobs Come From?" showed that the vast majority of net new job creation that takes place in the country comes from small, young businesses. Some of the key findings of the report are:

1. Nearly all net new job creation since 1980 has occurred in firms less than five years old.
2. In general, the net addition of jobs comes from three sources: start-ups; young firms, ages one to five; and the largest and oldest companies.

3. The largest and oldest companies still matter for job growth. Companies less than five years old join together with mature firms to expand employment. The Kauffman report suggests that there is a symbiotic relationship between mature very large firms and very young firms.

These findings are important and suggest that state economic development policy should, in a significant way, target new business formation and small business sustainability. And, at the same time, encourage and support investments by larger businesses, especially those in technology sectors where the symbiotic relationship between larger and young firms that Kauffman discusses is clearer. The Governor's budget includes several provisions that target young and small businesses, and NYSEDC supports many of them.

<u>What New York should do</u>

We believe a coherent economic development strategy that meets these objectives can be best achieved through a new targeted tax policy for young and small businesses, an expansion of the Qualified Emerging Technology Tax Credit to foster technology start-ups, and an economic development investment policy that supports larger attraction and expansion projects, especially in key technology sectors. Components of this economic development strategy that we urge you to consider and that we support include the following:

1. NYSEDC supports the small business tax elimination program proposed by Senator Skelos last week. This plan would eliminate the corporate income tax for small businesses, including manufacturers with fewer than 50 employees and less than $2 million of net income. This proposal recognizes the role small and young businesses play in the job creation process, and would send a strong message to entrepreneurs that New York wants them to invent, invest, commercialize, and manufacture in our state.

2. NYSEDC also supports increasing the existing Qualified Emerging Technology Tax Credit from ten percent for investments held for five years and twenty percent for investments held for ten years to twenty percent for investments held for three years. The credit also should be fully refundable. We also support a forty percent credit over three years for "seed" equity investments. Assemblyman Morelle and Senator Valesky have introduced legislation to accomplish this. This legislation would accelerate the growth of companies in new technologies by giving entrepreneurs access to greater capital sources, including seed venture funds.

3. NYSEDC also urges the legislature to extend the life of the Empire Zones Program, which is scheduled to end on July 1st. The Empire Zones program has been a very effective jobs creation program. Former ESD Commissioner Marisa Lago testified at this hearing last year that the

> average benefit to cost ratio for businesses in the Empire Zones program is 35 to 1. While the cost of the program is what many focus on exclusively, the program has generated significant benefits for the state, the communities where EZ projects locate, and the thousands of citizens who have good paying jobs because of the program.

The Empire Zones program has 10 years of branding with our business customers; ten years of fine tuning; and ten years of effective job creation. NYSEDC does believe the program can be simplified, made less bureaucratic, and less costly. For example, the program could be targeted to larger expansion and attraction projects. It could be further targeted to specific sectors. And the Real Property Tax Credit, which is the most expensive and unpredictable part of the Empire Zones program, could be contained so as to make the cost to the state predictable from year to year. We would welcome the opportunity to discuss our ideas with you and your staffs in the weeks ahead.

These three initiatives would target the job creation and growth segments of the economy identified in the Kauffman Foundation report, and provide an effective and affordable economic development strategy for New York.

The Excelsior Jobs Program

NYSEDC believes the Excelsior program would accomplish many, but not all of the goals we think the State's flagship economic development program should achieve. Some of our concerns with the Governor's proposal include the following:

1. We are not sure how the cap could be managed effectively. For example, a few large projects could easily consume most of the $50 million in credits, leaving other attraction and expansion projects left out...probably left out of New York. Also, would the program be first in first served? If so, projects that apply early in the year would have a clear advantage of securing approvals.
2. The 50 jobs threshold would probably preclude many areas of the state from ever participating. This is especially true of the Adirondacks.
3. Because the 50 new jobs requirement would be a net job requirement against statewide employment, the program would discriminate against existing New York businesses. Larger multi-location employers considering expansions may not be able to utilize the program because of layoffs due to the recession in other parts of the state
4. The program fails to allow investment to qualify. Consequently, the program fails as a job retention tool. This is important since investment secures employment in our communities, especially for manufacturers.

5. While the job credit is not insignificant, the program fails to address the primary cost factor businesses are most concerned with in New York: Real Property Taxes.
6. Businesses still would not know what their benefits would be until completing a negotiation with ESD. Certainty in the economic development process is essential. Businesses will be less likely to factor New York into their investment decisions if they think approvals are part of non-economic considerations.

These are a few of our concerns with the Excelsior proposal. Should the legislature decide to negotiate from this program, however, we would welcome an opportunity to discuss ways to improve it.

$25 million Small Business Loan program

The Governor's budget would create a new $25 million small business loan program. We support this because of the credit constraints small businesses face. We would recommend however, that the program be administered by the New York Business Development Corporation, which could leverage the dollars many times over, and has the small business underwriting experience that few organizations in the country possess.

$25 million Seed Venture Fund

The Governor also proposed creating a $25 million seed venture fund to support early stage start-ups. This is the hardest kind of VC to attract for entrepreneurs, and often good ideas never get off the ground due to a lack of early stage seed venture capital. The one recommendation we would offer is that the funding should be invested in existing private non-profit seed funds. Funds such as Excell Partners have the experience and the record to make effective use of this capital. Theresa Mazulla, President of Excell Partners will testify later about the critical need for this type of program, and will discuss a groundbreaking report they published last year on the topic.

L3C Corporations

NYSEDC also supports the enactment of a law to authorize the creation of L3C Corporations in New York State. L3C corporations are, "Low profit limited liability corporations," and have been adopted in a few other states.

The L3C is a for profit venture that under its state charter must have a primary goal of performing a socially beneficial purpose, not earning money. The legislation was specifically written to dovetail with the federal IRS regulations relevant to Program Related Investments (PRIs) by foundations. This makes it a perfect vehicle for PRI investments without the need for IRS private letter rulings. It also facilitates tranched investing with the PRI usually taking first risk position thereby taking much of the risk out of the venture for other investors in lower tranches. The rest of the investment levels or tranches become more attractive to commercial investment by improving the credit rating and thereby lowering the cost of capital. It is particularly favorable to equity investment. Because the foundations take the highest risk at little or no return, it essentially turns the venture capital model on its head and gives many social enterprises a low enough cost of capital that they are able to be self-sustainable.

The L3C is a new form of limited liability company, which combines the best features of a for-profit LLC with the socially beneficial aspects of a nonprofit. It is the for-profit with a nonprofit soul. L3C corporations could become viable distressed area and emerging technology investment vehicles, which are eligible Program Related Investments (PRIs) authorized by IRS.

Revocation of the IDA mass transit exemption of the Mortgage Recording Tax

The Governor's budget also would eliminate the mass transit portion of the Mortgage Recording Tax exemption from IDA tax abatement. This provision would represent the unbundling of abatements that IDAs can provide to businesses that invest in our communities. It would reduce the incentives that IDA could provide to businesses, thereby making New York locations less competitive. We are also concerned that the elimination of this exemption would lead to the elimination of other portions of IDA tax abatement, including the state portion of the sales tax. Such action would make New York the only state we are aware of to eliminate these exemptions, thereby making one of our key economic development programs less competitive and less effective.

High tech business marketing program

NYSEDC encourages the legislature to create a business marketing program that would include funding to a public-private partnership to market nationally and internationally the state's assets and strengths in targeted technology sectors including Nanotech, Biotech, and Cleantech. Such a program would also provide funding to the established regional economic development organizations that carry out business marketing programs as part of their mission, including BNE, GRE, Mohawk Valley EDGE, MDA, CEG, and HVEDC. I have provided a proposal to Assemblyman Schimminger and Senator Malcolm Smith, which includes a cost-benefit analysis done by the consulting firm, Camoin Associates. Their analysis shows that a $5 million investment in business marketing, as we have proposed, would create 1,320 jobs and earnings of $89 million. This does not include any other multipliers that would result from attracting new firms to our communities and the state.

New York has invested heavily to create high tech strengths over the last decade. We have created significant assets, but we don't tell anyone about them.

Regional Technology Commercialization Centers

Forty years ago when business markets became global, world trade centers were created in many parts of the world. The idea was to provide one location where all aspects of conducting international trade could be accessed, including legal, finance, shipping, consulting, and government services. We think a similar approach should be considered for technology commercialization. Such a regional facility could serve as a focal point and one stop for entrepreneurs, researchers, and investors to access information, data, and services related to technology commercialization. Tenants could include a business incubator, university tech transfer offices, venture capital firms, intellectual property and patent attorneys, a NYSTAR regional office with a searchable data base of university IP, and an SBDC office. Ideally, such a facility would be part of a larger R&D tech park.

The Center would be a one-stop for entrepreneurs to access tech commercialization services, as well as a location to bring together innovators and investors.

Extension of the IDA nonprofit law

NYSEDC respectfully encourages the legislature to support a three year extension of the IDA nonprofit law. This law lasped in January 2008. The law had been in existence since 1986 and had been extended 15 times by the legislature. Since the expiration, nearly $2.3 billion of not-for-profit construction and expansion projects have been stalled.

As you know, the ability of non-for-profits to access low cost financing is crucial to the social services they provide. Governor Spitzer signed the last reauthorization into law in 2007 and stated "It is essential that state government continues to support the invaluable work of not-for-profits, Extending the provisions of this law will provide hundreds of millions of dollars in discount financing for libraries, hospitals, senior living facilities and other civic facilities." (August 6, 2007 Press Release).

By allowing the law to lapse, the state is losing $15-17 million in Bond Issuance Charges that otherwise would be paid to the state, and approximately $60 million in personal income tax revenue that would be paid by construction workers, many of whom would be union workers, and new employees at the projects. And importantly, New York is the only state that has voluntarily given up this federal tax-exempt financing tool.

During these difficult economic times, the demand for services provided by affected nonprofits is greater than ever. Yet, because of the lapse in this law, nonprofits are not able to expand to meet the demand, or modernize existing facilities to improve the quality of their services.

New York Roundtable on Innovation

Finally, I chair the NY Round Table on Innovation, which is an adhoc group representing universities, businesses, and economic development organizations. NYROI has developed a Guiding Principles document, which I am enclosing for your information. The overarching goal of NYROI is to encourage the creation of public private collaborations, particularly in the life sciences. One of those principles is to create a regulatory environment in New York State that "supports innovation and eliminates regulatory barriers to the marketing of state of the art treatments/technologies developed by research-based manufacturers and health care organizations – including public and private hospitals, and institutions of higher education as well as not for profit research institutes – to health care providers and patients, in a manner that contributes to optimal health outcomes, and aligns with the NYS Foundation for Science, Technology and Innovation and Empire State Development Corporation initiatives to retain and grow the bioscience sector in New York State."

The Governor's budget includes restrictions on marketing of pharmaceutical products to healthcare providers. New York needs to eliminate roadblocks that would discourage growth in NY of biotech and pharmaceutical businesses, such as enacting new pharmaceutical marketing disclosure bills that would mandate needless restrictions on marketing pharmaceuticals to health care professionals. Such restrictions inhibit the state's ability to expand an industry sector that ESD considers a strategic industry, and that already contributes significantly to the state's economy. The pharmaceutical/biotechnology industry in New York is a key economic driver, contributing more than $8.4 billion to the state's economic output.

Also, the FDA already regulates the education of health care professionals by pharmaceutical representatives. In addition, these proposals fail to take into account the critical role health care professionals play in drug discovery and evaluation.

Perhaps more than any other industry, life sciences depends on the critical connection between academia and private companies. That connection fills the workforce pipeline and the innovation and commercialization pipeline. While NY is a national leader, ranking 2nd in life sciences research and development and 2nd in the number of biological scientists in the work force, we need to continuously enhance the research capabilities and expertise of our colleges, universities and research institutions and support programs that will retain young graduates and attract young adults to science and technology.

Thank you for the opportunity to testify today. I would be happy to answer any questions you may have.

Roundtable on Innovation

NYROI

New York's
Roundtable on Innovation
"Recovery through Discovery"

Guiding Principles

New York's Roundtable on Innovation:

An Emerging Alliance to Promote Innovation, Economic Development and a Competitive Business Climate for New York

Vision:

The New York Roundtable on Innovation (NYROI) is a strong, diverse, and emerging alliance that is steadfastly committed to advancing innovation, economic development, and a robust business environment sufficient to attracting sustained investment in the bioscience* and technology sectors of New York State. The members of this emerging alliance recognize that an unwavering commitment to collaboration is necessary to competitively position New York for the future and to address and remedy the many obstacles to create a more robust economy in the 21st Century.

Accordingly, this alliance is committed to the advancement of innovation, enterprise, economic development, higher education, sustainable public private partnerships, and the creation of the infrastructure, institutions, and policies needed to further these goals.

The Roundtable on Innovation is also committed to promoting a greater awareness of biosciences discoveries which have benefited from the remarkable revolution in the life and physical sciences, starting before the introduction of aspirin to the discovery of todays and tomorrow's medicines, innovations and technologies. The Roundtable on Innovation believes it is important for public and elected officials to fully understand the dynamics of the innovation process in order to better understand the opportunities for scientific and economic growth, as well as the obstacles that hinder the process. New York possesses many technology assets and NYROI intends to leverage those assets, remove impediments to discovery, and allow New York State to become the preferred location for public and private sector innovation.

* *Note: The term bioscience sector as used in this document broadly includes the life sciences, biotechnologies, biopharmaceuticals and medical devices and technologies.*

Goal:
Ensure that New York is recognized globally as a place that is second to none for innovation, and as a state that welcomes and supports biosciences and technology industries statewide.

Guiding Principles:

1. Develop a public dialogue about the current and potential economic and scientific value of science and technology industries in New York State. This dialogue should also articulate important measures and "best practices" the state should implement to support the presence and growth of these critical technology sectors. These measures should include benchmarking NY with other states and countries in areas of tax, regulation, commercialization of technology, economic development, intellectual property rights and protections, sales and marketing policies.

2. Work to create a competitive business environment – necessary to an accelerated economic recovery that supports the growth of start up to big business bioscience and high tech firms.

3. Work to create an environment that maximizes public/private cooperation through tech-transfer and joint ventures to encourage the development of innovative technologies based on research done in NY's universities and labs.

4. Work to align the state's higher education institutions, health care organizations and research centers with the bioscience industry.

5. Identify, support and/or develop a streamlined and expanded funding mechanism to better facilitate tech transfer and commercialization.

6. Develop a plan to meet traditional and emerging workforce needs that supports the advancement of strategic science and technology industry sectors.

7. Develop innovative ways to address the acute statewide shortage of healthcare professionals in NYS.

8. Identify, create and/or advance investment strategies that achieve savings through better facilitatemanagement of acute as well as chronic diseases (health promotion and disease prevention), improved patient compliance with treatments, efficiencies through improved information technology, and other mechanisms.

Policy Implementation Priorities

I. **An immediate action item for the NY ROI:** Work with the Governor's Economic Development Task Force to develop opportunities in areas of strategic strength for New York State – energy technology, biotechnology and medicine, agriculture, and nanotechnology – that bring together leaders in industry, higher education and government to generate ideas on how to diversify the state's economy through industry-higher education partnerships. Specifically to:

Create "The NYS Economic and Workforce Development Commission" (an entity that is charged with creating a strategic economic and workforce development plan for New York). This entity, which would report directly to the Governor and the Legislature, would provide recommendations on funding and policy and would be responsible

a. collaboration and the sharing of information among agencies and education
b. the promotion of strategic partnerships
c. alignment of the state's resources for emerging industries, higher education, workforce, and research and development

Improve, expand and encourage connections between higher education institutions and industry to:

a. accelerate translation from research to commercialization and industrial applications, including the development of new products, processes and patents
b. incubate new businesses in emerging and high-growth fields
c. identify policies and regulatory changes which may be necessary to enhance opportunities for effective collaboration among industry, higher education institutions and independent laboratories
d. identify opportunities for NYS higher education institutions to support energy technology, biotechnology and medicine, agriculture, and nanotechnology agricultural economy
e. position NY as a leader in the green economy and creating strategies for economic development that are environmentally sustainable
f. identify opportunities for private investment in the incubation and ongoing support of companies in target fields in New York State
g. identify those means necessary to achieve the above-stated aims, in particular those opportunities not requiring significant financial investment, in recognition of the state's present limited fiscal capacity

II. Promote access and eliminates regulatory barriers to state of the art treatments/technologies for all patients in a manner that contributes to optimal health outcomes and aligns with the NYS Foundation for Science, Technology and Innovation and Empire State Development Corporation initiatives to retain and grow the bioscience sector in New York.

III. Support intellectual property protection and reimbursement for state of the art treatments/technologies developed by research-based manufacturers and health care organizations – including public and private hospitals, and institutions of higher education as well as not for profit research institutes – in a manner that supports the costs and risks of research and development, contributes to optimal health outcomes, and aligns with Empire State Development Corporation initiatives to retain and grow the bioscience sector in New York.

IV. Support innovation and eliminates regulatory barriers to the marketing of state of the art treatments/technologies developed by research-based manufacturers and health care organizations – including public and private hospitals, and institutions of higher education as well as not for profit research institutes – to health care providers and patients, in a manner that contributes to optimal health outcomes, and aligns with the NYS Foundation for Science, Technology and Innovation and Empire State Development Corporation initiatives to retain and grow the bioscience sector in New York State.

V. Ensure that all state economic development and innovation workgroups in NY that include a focus on the bioscience and human health (such as the newly created gubernatorial Taskforce on Diversifying the New York State Economy through Industry-Higher Education Partnerships) include robust representation from biotechnology, biopharmaceutical, and medical device industry companies with research alliances in New York.

VI. Provide seed stage, equity-based funds for high-tech businesses; create a Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) match program and ensure that the state has affordable, fully equipped wet-lab commercial space.

VII. Extend "Power for Jobs" low-cost power for economic development; promote private-sector investment in new generation, energy infrastructure, renewable and green jobs; and enact a Property Tax Cap (with local mandate relief).

VIII. Renew, reform, and reinvigorate the Empire Zone Program and restore IDA "Civic Authority".

IX. Reform state fiscal management and reject tax increases harmful to a competitive business climate, an accelerated economic recovery and the advancement of the bioscience industry by creating a high tech tax environment in NYS for companies and professionals that must be superior to, and easier to navigate than, other states and countries.

X. Enact comprehensive civil justice reform including overdue and critically needed medical malpractice reform.

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Testimony of
James A. Parrott
Deputy Director and Chief Economist
Fiscal Policy Institute

Before the

Joint Legislative Public Hearing On Economic Development

February 1, 2010

Good morning. My name is James Parrott, Deputy Director and Chief Economist of the Fiscal Policy Institute. Thank you for the opportunity to testify today.

The Great Recession has left New York with an unemployment crisis—850,000 New Yorkers are out of work, with two out of every five jobless for more than six months. One in six has been out of work for over a year. When you factor in discouraged workers and the underemployed, the unemployment rate nearly doubles.

New York's 750,000 jobs gap

New York State needs 750,000 jobs over the next five years to restore the 330,000 jobs lost so far in the recession and to keep up with growth in the labor force. Even were we to add those 750,000 jobs, it would bring the unemployment rate back to 5.5 percent—that's even higher than the 4.7 percent average rate for 2006 and 2007. This would mean an employment growth rate of 1.7 percent a year; an additional 150,000 jobs each year for five years. It's not unattainable—from 1995 to 2000, New York added 160,000 jobs a year, an amount that then represented two percent annual job growth. (See Appendix A)

Given this critical jobs need, it is important that the actions taken to balance the state budget not exacerbate the economic slump and increase unemployment. This is a severe national economic downturn—it is not caused by New York's budget policies as some have argued. In fact, many states, including several low-tax states in the Sunbelt, have experienced greater job declines than New York in this downturn. It is highly questionable if not ludicrous to think that New York can pull itself out of the recession by slashing its budget. The main determinant of the health of New York's economy is the national economy. Our most critical economic need is for sound macroeconomic policy actions at the national level to create and sustain jobs, including action to provide fiscal relief to state budgets to keep them from worsening local economies by cutting their budgets or raising taxes further.

A changing economy requires a solid foundation for growth

Our economy is changing in fundamental ways. It is not simply a matter of restoring the jobs that have been lost. New York needs to do more to nurture a large manufacturing base, but it has to be a high-productivity, high-tech oriented manufacturing base. Dynamic, internationally-competitive high-tech manufacturing requires advanced technical and professional services. New York's many colleges, universities, and research facilities give it a solid technological infrastructure that can provide the basis for innovative products and enterprises. The economy is finally moving toward greater efficiency in its use of energy and toward renewable energy sources. New York is well-positioned to lead this movement; it already has the advantage of ranking very high among states for its efficient natural resource use.

We need to keep in mind several key elements that contribute to creating a solid foundation for job and economic growth:

- Quality preK-12 education system for all
- Affordable and high quality public higher education
- Modern physical infrastructure and smart growth investments
- Conducive environment to attract and retain human capital and to encourage and support innovation

Any economic development expert will tell you that this foundation for growth does not materialize automatically on its own. Nor has an unfettered market with a strait-jacketed government ever fostered a foundation for growth. A foundation for growth is created by forward-thinking leaders, and at a state level, by smart state and local government investments in human capital and physical infrastructure. Evidence abounds that arbitrary government spending caps in other states have undermined important economic foundations.

New York's high productivity economy

Economic development discussions, either explicitly or implicitly, employ differing conceptions of the factors affecting the "competitiveness", or economic vitality of a state or region. Our view is that "business cost" approaches that focus only on "costs" as opposed to the "value" of what is produced provide limited insight. In this regard, it is important to point out that New York has the highest value added per worker among the large states with diversified economies and, depending on how measured, the average New York worker is 15 to 37 percent more productive than the national average. In most sectors important to the New York economy, we rank first or second most productive among the 10 large, diversified industrial states. Value added represents total wages and profits. It is puzzling why this sort of data is not on the home page for the Empire State Development Corporation. (See Appendix B.)

Business cost or business climate measures that ignore the value side of the equation are of limited use. For example, one measure often cited by the Business Council of New York is the Milken Institute Cost-of-Doing Business Index. In the 2007 Milken index, New York ranks 2nd highest overall in the cost of doing business. However, this ranking is largely based on New York's high average wages (2nd highest in the country after Connecticut) and high office rents (highest among all states). But what does this tell us? New York's wages and salaries are high because the skills of the workforce and the productivity of our workers are both very high. Office rents are high because there are considerable economies from the dense concentration of activity in New York City. To be meaningful, costs should be related to the value of the production that the high costs make possible.

The Tax Foundation publishes a State Business Tax Climate Index. In a recent version of this index, New York ranks 48th out of 50 states (with a high ranking indicating "high taxes".) But what does this index really indicate about the economic competitiveness of states when it looks only at the tax side and not at the value side and where the four top finishers are Wyoming, South Dakota, Nevada, and Alaska? It does not seem that this index measures anything that provides much insight into the competitive position of states with economies similar to ours.[1]

New York's tax environment has not translated into uncompetitive rates of return for businesses operating here. A 2007 study by economist Don Boyd found that while businesses operating in New York City had higher federal-state-local tax rates than like businesses in six other neighboring and "competing" states, businesses operating elsewhere in New York State had the lowest federal-state-local tax burdens compared to the six other states (California, Connecticut, Florida, Massachusetts, New Jersey, and Texas).[2]

A new study by economists Peter Fisher and Alan Peters (University of Iowa and University of Sydney, respectively) looked at after-tax rates of return for representative firms in eight key technology-oriented industries operating in seven mainly Northeastern states (Maryland, North Carolina, New Jersey, New York, Ohio, Pennsylvania, and West Virginia). Fisher and Peters concluded: "the after-tax rates of return vary little among the states (with other factors held equal)." In fact, this study found that after-tax rates of return for New York-based operations were slightly above the median of all seven states in each of the eight technology industries examined.[3]

The Governor's economic development initiatives

The Governor is proposing to end the failed Empire Zones program and replace it with the Excelsior program that would offer credits for job creation, investment, and research and development in specified industries. Targeted industries include manufacturing, internet publishing, software development, scientific research and development, financial services (limited to data or customer service centers), and other industry "with significant potential for private sector economic growth and development in New York state."

The funding for tax credits would be much lower than that for the Empire Zone program, with a cap of $250 million. The Zones program is now costing the state about $600 million a year in lost taxes. Tax credits for new jobs under the Excelsior program would range from $2,500 to $10,000 per job created, with the level determined by various factors including wages, benefits, and location in a Census tract deemed to be distressed. The commissioner of economic development has considerable discretion in determining benefits. Benefits would be limited to five years, and beneficiaries would be required to document jobs created and investments and research undertaken. Recipient firms would be required to be in "substantial compliance with all worker protection and environmental laws and regulations." Firms that did meet their commitments would not have to pay back the amount of the credit received but would instead have the amount of the credit treated as income.

We feel the Excelsior program needs a stronger clawback policy. Firms that do not meet their obligations under the program should repay in full the amount of the credit received. The level of tax credits for newly-created jobs should be tied to strong job standards and the process to determine the level of benefits should be transparent.

Given the proliferation of business tax credits in New York in recent years—there are already 36 business tax credits, with 12 enacted in the last three years—any new legislation should be carefully considered and provide for regular evaluation and modification. The annual value of tax credits has skyrocketed from less than $200 million in 1994 to over $1.2 billion in 2008. Plus, there is an enormous amount of carry forward tax credits—well over $2 billion worth—that will offset future tax liability and lessen tax collections.

The Governor is also proposing a new Small Business Revolving Loan Fund, which was one of the top recommendations of the Governor's Small Business Task Force.[4] The loan fund is intended to improve access to credit for small businesses, particularly minority and women-owned businesses and others having difficulty accessing regular credit markets. Considering the current difficulties small businesses face in the credit market, this seems like a reasonable response.

Another new proposal is for the New Technology Seed Fund. This would fund institutions of higher education to develop marketable products, strengthen partnerships with the private sector, and advance the commercialization of new products. This proposal appears to be very similar to the purpose of the existing Technology Transfer Incentive Program operated by the New York State Foundation for Science, Technology and Innovation (NYSTAR.) There should be appropriate coordination between these two programs.

Economic development priorities

When the state invests in promoting technology development or in large projects (such as AMD/Global Foundries,) it should pursue some form of "equal exchange" that enables the state to share in the success of state-funded investments. This could, for example, take the form of equity or stock warrants.

New York's local Industrial Development Agencies (IDAs) are still in need of reform. Too often, IDAs have subsidized poorly-paid jobs that undermine economic development. IDA decision-making should be accountable and more transparent, and the program should require prevailing wage for construction projects and living wages for permanent jobs.

An extensive economics literature shows that prevailing wage in construction means more cost-effective construction, and more skilled and better-paid workers. A widely publicized critique of prevailing wage applied to New York IDAs assumed that labor productivity is the same for all construction, whether prevailing wage or not. That assumption flies in the face of considerable research by construction economists that shows that workers paid prevailing wages are much more productive and cost effective than workers paid lower wages.This is because prevailing wage workers receive years of intensive skill and safety training in real apprenticeship programs, they require less supervision and they save on materials and time because they do jobs right the first time. A classic study covering 14 years of highway construction nationwide found that states with higher construction wages had 11 percent lower total costs per mile of highway because of higher productivity and savings from less work done over. Industrial development authorities exist to enhance local economic development. Prevailing wage standards are a fundamental building block for a strong local, "high-road" economy based on high skills and high wages.

The state should have a general policy of linking taxpayer-funded economic development benefits to performance standards. The state should only subsidize companies that provide good jobs, opportunities for disadvantaged communities and are good environmental citizens.

IDAs now have authority to grant exemptions on a portion of the mortgage transfer tax that is dedicated to transit systems. Legislation submitted with the 2010-11 Executive Budget would restore funding for public transit by revoking the ability of IDAs to grant this exemption.

The Green Jobs/Green New York program will leverage Regional Greenhouse Gas Initiative (RGGI) funds to secure private financing to retrofit homes and businesses, creating jobs, reducing greenhouse emissions, and lowering New Yorkers' energy bills. About 30,000 retrofits will be done in the first year. We should ensure that green jobs are good jobs, with strong wage and labor standards.

New York's Investment Tax Credit (ITC) is so generous that many large corporations pay only a nominal amount in corporate income taxes. Many companies routinely can use only a portion of the ITC and end up paying the state's alternative minimum tax. But they are allowed to carry forward unused credits for up to ten years. For 2003, the total amount of ITC benefits carried forward was $1.6 billion. This means that large companies could stop reinvesting in New York altogether and would still be able to reduce their tax liability to the legal minimum or close to it for another decade.

At the same time, we have seen the emergence in New York in this decade of a gap between the growth in productivity and the growth in wages. The ITC could be changed to, in part, address this gap. The ITC should be modified to reduce the amount of credits provided without any requirement for job creation or retention, and increasing the amount of credits that can be earned through job creation and retention. For example, the five percent ITC could be linked to job growth and reduced in value in the first year along with increasing the value of the credit under the Employment Incentive Credit in subsequent years, with the credit directly linked to job retention and creation. The enhanced Employment Incentive Credit would replace the ability to carry forward ITC credits independent of employment levels.[5]

Leveling the playing field among businesses is good business

An important part of establishing a sound foundation for growth is having clear rules of the road that are fairly and evenly enforced. Over the past three years, New York has made important progress in enforcing compliance with labor standards and social insurance requirements. When some employers break the law, it not only hurts workers, but it creates unfair competition for law-abiding businesses, and it also shifts significant costs onto taxpayers. Part of the reason why workers comp premiums were so high in New York is that there was massive non-compliance.[6]

Workers comp reform included tougher penalties for businesses that broke the law by not carrying workers compensation insurance for every employee. The Workers Compensation Board has issued 4,000 stop work orders when it discovered firms that were in violation of the law.

By misclassifying workers as independent contractors or paying workers off the books, employers strip workers of the protections of the entire package of social insurance programs that helped lay the basis for a broad middle class in this country. Such workers lose coverage under workers' compensation, unemployment insurance, temporary disability insurance, and Social Security. Workers lose any paid time off, and lose access to any fringe benefits such as health insurance or pension. They also lose many employment rights, including the right to organize and form a union, and protections against discrimination. This scourge of employee misclassification afflicts an estimated 10 percent of New York's workers.

In establishing an inter-agency Task Force on Employee Misclassification in September 2007, then Governor Eliot Spitzer characterized the problem as "rampant" and an "epidemic". Governor Spitzer said the Task Force would "protect worker rights while leveling the playing field for law abiding employers so they are not at a competitive disadvantage to employers who refuse to play by the rules as they exploit hard working New Yorkers."[7]

In her testimony before the State Senate Labor Committee on January 13, 2010, Jennifer Brand, the Executive Director of the Task Force reported on enforcement efforts from September 2007 through the end of 2009. Over this period, the Task Force identified 31,500 misclassified workers, uncovered $390 million in unreported wages, and more than $11 million in unemployment insurance taxes due. Investigators found that employers owed more than $14 million in unpaid wages and overtime.[8]

In a related vein, it is encouraging that the Governor is proposing to add over 300 tax audit staff to better ensure that all New York taxpayers are complying with our tax laws.

Only the state can create a foundation for broadly shared, sustainable growth

CFED, a national economic development organization, argues that "measuring the standard of living and working in a state and how well the state is building foundations for future growth is just as important as how hospitable that state is to businesses." In the preface to its Development Report Card for the States, CFED writes:

> Economic development is a complicated thing, but fundamentally, it should strive to serve the needs of everyone in a community. It certainly includes providing an environment in which companies can thrive, but that should not be the exclusive goal. ... [B]ecause at the end of the day, businesses share the same needs as their employees, suppliers, and customers. Both businesses and individuals benefit from dependable infrastructure, good schools, a healthy environment, a good quality of life, accountable and transparent government, financial security for households, and a lack of strong divisions across, for instance, class and race." [9]

The Executive and the Legislature should work together to develop a compelling and long-term economic strategy that incorporates a comprehensive workforce development strategy. As part of this process, which should start with an objective assessment of the state's key economic resources – human, environmental, financial, educational, and technological – the state's economic and workforce development agencies should seek local input in crafting recommendations that fit strengths and needs o each region in the state.

The Fiscal Policy Institute's *One New York: an Agenda for Shared Prosperity* elaborates many details of this programmatic framework.[10] In addition to arguing for a coherent and coordinated economic development strategy, *One New York* outlines proposals to revitalize upstate cities, reverse "sprawl without growth", and advances a comprehensive reform of the state-local fiscal relationship in New York geared to reducing he pressure on the property tax.

Endnotes

[1] The Public Policy Institute of New York State calculates something it calls the "New York State Cost Gap" that is supposed to represent the extent to which the "government-related costs of living and doing business in New York" exceed the national average. However, forty percent of the "cost-gap" stems from personal income taxes, yet PPI fails to adjust New York's income tax burden for the portion paid by commuters. According to Division of the Budget estimates, non-residents paid 16.3 percent of New York State personal income taxes in 2004. New York State Division of the Budget, *Executive Budget 2007-2008, Economic and Revenue Outlook*, February 2007, p. 254. http://publications.budget.state.ny.us/fy0708app3/fy0708appd3.pdf

[2] Donald J. Boyd, "A Simulation of Business Taxes in New York City and Other Locations," Final Technical Report, Prepared for the Citizens Budget Commission, June 2, 2007.

[3] Peter Fisher and Alan Peters, "How Taxes and Economic Development Incentives Affect Returns on New Manufacturing Investment in Pennsylvania and Surrounding States," in Growing Pennsylvania's High-Tech Economy: Choosing Effective Investments, by Greg LeRoy, with Leigh McIlvaine, Peter Fisher, Alan Peters, Doug Hoffer, Stephen Herzenberg, Mark Price, Merrill Goozner and Philip Mattera. Washington, D.C.: Good Jobs First, January 2010, pp.9-16.

[4] Report and Recommendations, New York State Small Business Task Force, December 2007, William Grinker, Chair.

[5] One example of this suggested approach is Assembly bill A05323, sponsored by Assemblyperson Ortiz.

[6] Fiscal Policy Institute, "New York State Workers Compensation: How Big is the Coverage Shortfall?" January 25, 2007.

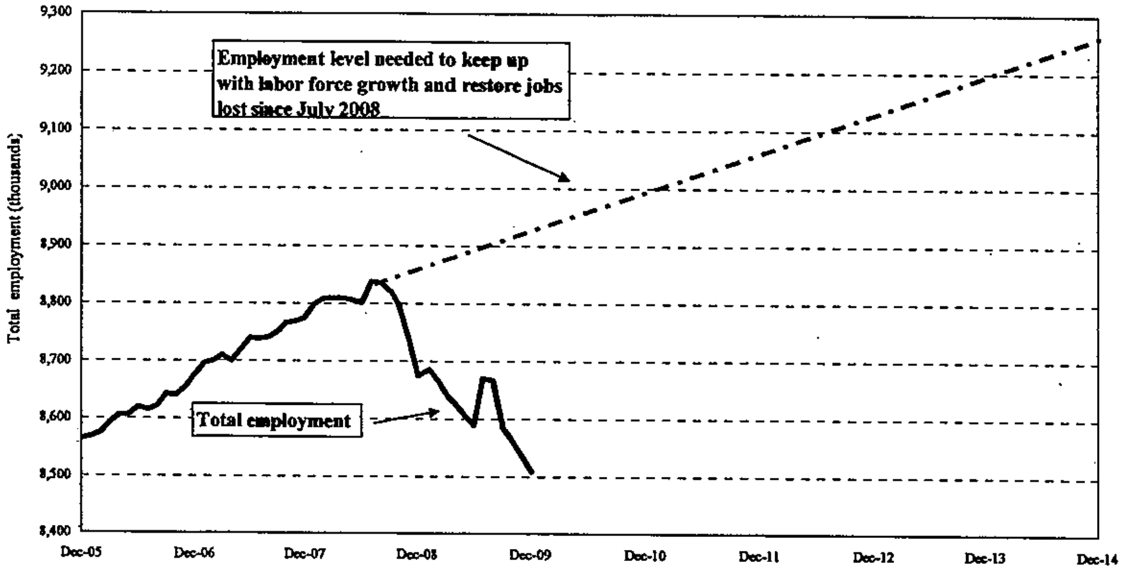
[7] New York State Office of the Governor, "Governor Spitzer Signs Executive Order to Prevent Employee Misclassification," Press Release, September 7, 2007.

[8] Testimony of Jennifer S. Brand, Executive Director of the New York State Joint Enforcement Task Force on Employee Misclassification, New York State Senate Labor Committee, "Employee Misclassification in New York's Underground Economy," January 13, 2010.

[9] CFED, "Economic Development: Of the People, By the People, For the People," http://www.cfed.org/focus.m?parentid=2346&siteid=2346&id=2406.

[10] See FPI, *One New York, An Agenda for Shared Prosperity*, pp. 16-32.

Appendix A: New York will need to add over 750,000 jobs over the next five years to restore jobs lost in the recession and to keep up with labor force growth.



Source: FPI analysis of Current Employment Statistics and Local and Area Unemployment Statistics.

Appendix B

Almost all New York sectors have a strong productivity edge - compared to the national average, and compared to other large states

	Real value added per employee, 2007		Ratio of NY value added per employee to US total	New York's rank among 10 largest states
	U.S.	New York		
Private industries	**$66,799**	**$91,456**	**1.37**	1
Agriculture, forestry, fishing, and hunting	$117,507	$79,586	0.68	9
Mining	$113,318	$47,837	0.42	7
Utilities	$370,331	$380,994	1.03	5
Construction	$30,659	$36,599	1.19	1
Manufacturing	$108,332	$110,020	1.02	4
Wholesale trade	$104,606	$114,610	1.10	1
Retail trade	$46,819	$52,885	1.13	2
Transp. & warehousing, excl. USPS	$64,150	$53,881	0.84	10
Information	$206,051	$307,378	1.49	1
Finance and insurance	$114,006	$261,377	2.29	1
Real estate, rental, and leasing	$176,167	$275,237	1.56	1
Professional and technical services	$73,802	$90,521	1.23	1
Management of companies and enterprises	$91,345	$146,673	1.61	1
Administrative and waste services	$30,177	$40,727	1.35	1
Educational services	$23,344	$27,693	1.19	1
Health care and social assistance	$42,309	$42,762	1.01	2
Arts, entertainment, and recreation	$27,877	$31,055	1.11	4
Accommodation and food services	$24,399	$31,918	1.31	1
Other services, except government	$23,055	$27,307	1.18	1
Government	$49,799	$53,690	1.08	2
Total private excluding finance and insurance, and real estate	**$57,415**	**$66,002**	**1.15**	1
All industries	$116,597	$145,146	1.24	1

Sources: Bureau of Economic Analysis (BEA) Real GDP by States (2000 USD Chained), 2006-2007 (June 2008); BEA employment data, 2006-2007 (SA25N, June 2008)

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Hearing on the NYS DOB 2010-2011Executive Budget Proposal
Joint Legislative Public Hearing Economic Development Session
Albany, New York
February 1, 2010

Testimony from:

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Thank you for the opportunity to submit testimony regarding the 2010-2011 Executive Budget Proposal as it relates to economic development. I am Marnie LaVigne, Director of Business Development for two New York State-funded, university-based economic development programs at the University at Buffalo (UB): one is the NYS Center of Excellence in Bioinformatics & Life Sciences, and the other, which is also housed at the Center of Excellence, is the UB Center for Advanced Biomedical and Bioengineering Technology, known as the UB CAT. In my role, I work side by side with literally dozens of partners across the state in what is often called the alphabet soup of economic development organizations, spanning government, academia, industry, community and private sectors. We all are eager for the big wins to show that our efforts to build the new, high-tech economy in NYS are making a difference. However, we know that making this transformation is not that simple and that it takes time to build new business. Since 2001 in life sciences our regional efforts have seen over 45 new life sciences companies emerge, nearly a half dozen companies attracted, well over 5000 new jobs created or retained, and more than a 40:1 annual return on the state investment in the UB CAT for the past two years. Along with this progress, we have learned through our experience and that of other successful efforts around the country, such as Jumpstart Inc. in Cleveland, Ohio, recognized by the Economic Development Administration as the 2009 Economic Development Organization of the Year, how to accelerate growth of new high-tech business and jobs.

Building a high-tech economy in industries like life sciences, renewable energy, and advanced manufacturing, requires a combination of a) technology innovation, b) capital or funding, and c) workforce. The recipe for growing high-tech industry, revenues, and jobs is dependent upon a robust pipeline that addresses these factors in what we have all come to know as the 'valley of death' where there is a lack of resources to facilitate moving technology from the point of discovery to a product or service in the marketplace that creates new revenues and jobs. The valley of death is not funded by traditional research sources because the project has moved beyond the discovery phase to commercialization – but yet it is not ready for venture capital or established business funding because it is still too far from being ready for the market. It is gratifying that the proposed 2010-2011 Executive Budget shows that NYS officials have heard the pleas of those in the trenches trying to accelerate economic transformation, but at the same time, the budget also ignores and actually weakens other necessary elements of the new economy equation.

On the positive side, I applaud the announcement of the $25M New Technology Seed Fund, where I highly encourage the legislation to allow maximum flexibility for the decision to fund companies at the local level, among those organizations who have a track record and know exactly what factors make a company investable at the seed stage. While the intent of the fund is clearly to fuel new high-tech business, we must be prepared to allow a range of small high-tech businesses, broadly defined, to access and use the funds in whatever way will drive the opportunity forward. The local administration of these funds will allow comprehensive consideration of all these factors to fund the best prospects, without imposing artificial constraints that limit the value of the program and cause applicants to walk away frustrated due to bureaucracy, while NYS misses an opportunity to support good candidates. There are established practices for administering seed funds across this country, so I emphasize again that NYS must allow the local experts to apply these practices to govern this program rather than impose legislative constraints.

Indeed, the New Technology Seed Fund is a good start at addressing the availability of capital, but at the same time there are other aspects of the budget that essentially starve key elements in the pipeline that I will broadly call commercialization activities. The process of a company being ready to apply to the Seed Fund requires a significant amount of these commercialization activities to occur before the application to the Seed Fund is ever made. Programs such as the CAT, Centers of Excellence and those in community, including Regional Technology Development Centers (RTDCs) are all designed to help a company become investable. Key commercialization activities include development of product prototypes and related testing, creation of a business plan, and most important, assembly of proper business talent. A research scientist who is working in his or her lab with the next greatest drug, diagnostic test or medical device, will never be able to apply to the Seed Fund or assemble any other angel or venture capital investment without having a significant amount of these commercialization elements in place. Without complementary commercialization programs to support these activities, the Seed Fund will be operating in a silo versus being part of a pipeline.

As many of you know through a series of town hall meetings held across the state, Excell Partners recently issued a report[1] that not only showed lack of seed capital in NYS, but also meager support for commercialization activities. Despite NYS being second in the US in research expenditures, which are focused on the discovery phase, NYS is 25th in the US in investing in commercialization of these discoveries, behind states like Alabama, South Dakota and Oklahoma. While the executive budget addresses the seed funding gap, I am mystified that it actually takes away from the other commercialization funding, including grant programs, that must be part of the pipeline along with equity based seed funding. Programs like the Faculty Development Award and Technology Transfer Incentive Program will be decreased to the point of being non-functional after having been dormant for a couple years already due to previous funding cuts, and the CAT program will limp along at less absolute annual funding.

per CAT than when the program started in the early 1980s. Similarly, community-based programs, such as Regional Technology Development Centers (RTDCs), have limited funding to help entrepreneurs and inventors.

At the same time that the budget ignores and weakens these crucial valley of death resources, it actually throws more dollars at the research discovery phase and large businesses. Specifically, the Innovation Economy Matching Grants Program for up to $100M provides a 10% match for federal stimulus or ARRA projects, which are predominantly either for researchers working on typical National Institutes of Health and National Science Foundation research or for large firms. In fact, due to decisions about allocating the federal stimulus funds, the federal Small Business Innovation Research (SBIR) program, which would address the valley of death needs around this country – and would be worth NYS matching - was virtually omitted from the American Recovery and Reinvestment Act (ARRA) funding. As mentioned before, the numerous task force and town hall meetings held across this state last year made it clear that NYS is doing very well when it comes to research funding, while technology commercialization is the gaping hole. To take economic development dollars and aim them at that research phase is confusing to say the least, and the net result is to handicap the new seed fund before it even gets started by starving the other elements in the commercialization pipeline that will create good candidates for seed stage, equity-based support.

The good news is that some relatively slight adjustments in the budget can make a significant difference in bolstering commercialization activities and thus the entire pipeline. In particular, the following modifications, in combination with the implementation of the new seed fund as noted above, are recommended:

1. Reallocate funds to commercialization activities that make use of existing infrastructure at the regional level, such that no new administrative overhead is introduced and the current investments are fully leveraged. For example, the fifteen NYSTAR CAT programs all have Industrial Advisory Boards made up of our business leaders from the entire spectrum of high-tech sectors who help us make awards to the best projects. The highly accountable, metrics-based administration is fully in place to be the purveyor of more program funding, but we continue to see reductions in available dollars with our base infrastructure held at bare minimum, but poised to handle more volume. Furthermore, this local resource knows our regional strategy and opportunities better than any centralized group could, so we are well-positioned to align resources cost-efficiently for companies and technologies moving through the pipeline. The Seed Fund will see better deals when integrated with these commercialization efforts, which is how successful groups such as JumpStart Inc. in Cleveland operate.

2. To provide the funding for the commercialization activities, re-allocate existing funding that is being underutilized or is targeted outside the valley of death. For example, the Innovation Economy Matching Grant program funds, rather than funding research or large companies, could be used in part directly for programs that address commercialization activities targeting the valley of death. Existing regional programs in universities and the community could apply to administer those funds using their established infrastructure.

3. In addition, allocate part of the Innovation Economy Matching Grant program funds for another crucial commercialization element that is becoming standard in states across the US but has not been available in NYS for some time, that is, an SBIR match program. Unlike ARRA funds, which have been disseminated at record-breaking speed, the SBIR funds are subjected to a well-established, strategically designed process that should give us confidence that those projects receiving SBIR support at the federal level deserve our state support as well. Using the federal award process as the basis for making a matching state-level grant will make the administrative overhead on this program nominal and feasible as a centrally-administered program. However, to make this match program, or any match program meaningful, the minimum match must be 50% and more ideally 1:1 with a reasonable cap vs. the current 10% for matching stimulus funding, as that is the standard across other states. NYS continues to be at a disadvantage by offering matching of federal funds at a fraction of other states, where companies overlook our state or actually leave our state to take advantage of better incentives elsewhere. Furthermore, the amount of administration to provide a 10% match, far outweighs the return-on-investment for both the applicant and the state.

4. Consolidate multiple types of programs, which can be administered through the existing infrastructure at regional economic development entities, such as COEs, CAT's and RTDCs. Again, using the CAT example, with such robust infrastructure in place, programs for multi-level funding could be administered similar to the Phase I and Phase II SBIR program at the federal level. Right now CATs administer primarily one level of funding that is typically four- or five-figure support in the form of a cost-share or grant-like vehicle for technology development projects. Once the project is completed, the best we can do is refer companies to other programs to pursue the next level of support on their own. Why not function like the federal SBIR program, where our infrastructure can administer its existing funding, then move promising companies to the next level of support at six-figures, without requiring them to start all over again with yet another group of administrators for a follow-on funding program. Entrepreneurs accept that they must pursue multiple sources of funding from both public and private sources, but NYS can streamline this process, while eliminating administrative overhead and accelerating the best opportunities through the valley of death.

With consideration of these recommendations, NYS can create a robust network of highly integrated, cost-efficient vehicles that leverage existing central and regional infrastructure optimally.

In the past I have compared the process of transforming an economy to that of raising an infant. Like an infant, an emerging economy cannot be starved, fed sporadically or with only one type of nutrient in its early days and be expected to thrive down the road. Thank you for the opportunity to testify about the balanced diet our new economy needs to survive the valley of death.

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

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THE NEW YORK NANOTECHNOLOGY INNOVATION AND COMMERCIALIZATION PARADIGM. A STRATEGY FOR TECHNOLOGICAL AND ECONOMIC COMPETITIVENESS IN THE GLOBAL ECONOMY OF THE 21ST CENTURY

TESTIMONY TO THE NEW YORK STATE JOINT LEGISLATIVE HEARING ON THE 2010-2011 EXECUTIVE BUDGET: ECONOMIC DEVELOPMENT

By
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February 1, 2010

The New York State Nanotechnology "Innovation Ecosystem." An Effective Strategy for Technological and Economic Competitiveness

Universally acknowledged as the "next industrial revolution", nanotechnology is rapidly changing the landscape where states, regions, countries, industries, and society at large compete, thus presenting daunting technical, economic and business hurdles, while concurrently providing enormous opportunities for growth and prosperity.

The application of nanotechnology across diverse industries as information and computational technologies, energy, biomedicine, transportation, environment, communications, finances, smart healthcare, and security provides game-changing solutions enabling dramatic and profound improvements in how society could increase and maximize its strained resources, optimize and deliver services, and address and resolve increasing economic challenges.

The tremendous benefits of nanotechnology will most certainly be centered primarily in those locations across the globe with the intellectual assets, physical infrastructure, and sound investments necessary to innovate and compete in the global knowledge economy of the 21st century.

Nanotechnology is the cross-disciplinary science and engineering knowledge for how to control and manage the essential building blocks of matter, namely, atoms and molecules to form real-life systems with extremely precise functions and highly controlled properties. As such, nanotechnology has become the primary enabler for discovery and education, and is revolutionizing the global technological, economic, and social landscapes.

New and enabling nanotechnology innovations include multi-purpose and densely-functional laptops, desktops, servers, and supercomputers; ultra-fast and tightly-secure telecommunications; smart interactive computing; electronic high-definition three-dimensional gaming; tether-free automotive and consumer electronics; homeland defense and security systems; and chemical and biological "system-on-a-chip" (SOC) computer chip packages and architectures for environmental real-time, closed-loop sensing and control and healthcare applications--including biomolecular sciences, nanovaccinology, medical nanorobotics, nanomedical biocompatibility, molecular medicine, and nanosensor-based biochips for real-time diagnosis and treatment of chronic and genetic biological diseases.

It is these enabling innovations that have propelled the nanotechnology industry to a dominant technological, business, and economic position nationally and internationally, with nearly $2 trillion in global revenue by 2015, supporting the creation of over 2.0 million new jobs in the U.S. alone (according to National Science Foundation projections).

In view of the tremendous technological and economic implications of nanotechnology, New York State has developed and implemented, under the leadership of the New York State Assembly, a strategic investment policy to position itself as the global leader in nanotechnology. The state strategy centers on coordinating and leveraging the intellectual assets and physical infrastructure of its top-flight research universities and global corporate giants to establish vertically integrated, public-private, partnerships in research, education, and commercialization.

The "crown jewel" of the New York State strategy is the nanotechnology "innovation ecosystem" which partners global nanotechnology corporations (IBM, SEMATECH, GlobalFoundries, etc.) and the College of Nanoscale Science and Engineering (CNSE) of the University at Albany (UAlbany). This partnership has resulted in an estimated $20 billion of private sector investment and the direct creation and retention of over 12,000 high paying nanotechnology jobs across New York State since 2001.

According to the Federal Bureau of Labor Statistics and the American Electronics Association ("AeA"), the average annual wage in New York per such job was $84,000 in 2007, nearly 50% more than New York's average private sector wage. Accordingly, the

NYS nanotechnology economic development paradigm is currently driving over $1 billion dollar investment in wages alone per year into the state economy. By 2015, the NYS nanotechnology partnership is projected to have created or retained nearly 20,000 nanotechnology jobs in New York, thus contributing over $2.25 billion per year in salaries and wages alone to the state economy.

It is well documented that the effectiveness and success of the NYS nanotechnology "Acropolis" is best embodied by the CNSE Albany NanoTech Megaplex, the most advanced research and education complex of its kind at any university in the world. With over $5.5 billion in investments to-date, where every public dollar leverages nearly 5:1 in private funding, the 800,000-square-foot complex supports over 1000 contractors and suppliers across New York, from Buffalo to New York City, and attracts over 250 corporate partners from around the world, and offers the citizens of New York a one-of-a-kind educational experience.

In addition, the Albany NanoTech complex houses the only fully integrated computer chip pilot prototyping and demonstration line within 80,000 square feet of Class 1 capable cleanrooms. More than 2,500 scientists, researchers, engineers, students, and faculty work on site, from companies including IBM, GlobalFoundries, International SEMATECH, Toshiba, ASML, Applied Materials, Tokyo Electron, Novellus, and M+W Zander.

The College of Nanoscale Science and Engineering. Overarching Guiding Principles and Key Operating Procedures

At the core of New York's successful paradigm is the College of Nanoscale Science and Engineering ("CNSE") at the University at Albany ("UAlbany"). The vision of CNSE is to act as a novel innovation resource and business paradigm for research and development (R&D), workforce education, and economic outreach in nanotechnology and nanotechnology-enabled high technology industries of the 21st century.

A key aspect of the mission of CNSE is to assemble and deploy the critical mass of vertically and horizontally integrated industry-university-government consortia and public-private partnerships to convert enabling innovations and scientific breakthroughs into real business opportunities and revenue-generating ventures within a technically aggressive and fiscally leveraged technology development and deployment environment.

To achieve its vision and mission, CNSE has developed a unique management platform and operational blueprint that combines an academic atmosphere that promotes creativity and discovery with a business environment that drives entrepreneurship and accountability.

On the academic side, CNSE replaced the traditional "silo" type departmental structure with interdisciplinary faculty constellations that act as catalysts for cross-disciplinary innovations in education and research, and coupled it to a faculty performance and evaluation system that rewards entrepreneurship, outreach to industry, and timely delivery of scientific and technological solutions.

On the business side, CNSE has created a corporate-like administrative and management structure that provides the entire array of facilities and infrastructure services, fiscal resources, and accounting means in support of the CNSE programs, centers, and partnerships.

Within this overall framework, the CNSE organization and staffing are closely aligned along an academic structure and a separate, yet complementary, business structure. By design, a certain degree of overlap exists across the two management structures in something of a "matrix" approach to foster collaborative and flexible teaming while eliminating bureaucratic obstacles.

Oversight of both structures is the responsibility of the CNSE Senior Vice President and Chief Executive Officer ("SVP and CEO"). Within the confines of the laws, rules, regulations and policies of the State of New York and SUNY, and the provisions of any applicable collective bargaining agreement between the State of New York and any public employee union, the CNSE SVP and CEO has a high degree of authority, and is responsible for all decisions regarding overall technical, strategic, and business direction, including coordination and communication of directions and priorities with the CNSE academic and corporate partners.

With this unique management platform and implementation blueprint as backdrop, CNSE has been able to achieve the following critical set of competitive strengths:

- An enabling foundation of nanotechnology intellectual assets, including rapidly expanding design and architectural resources, that covers the entire spectrum of R&D know how and technology development skill set necessary to support the formulation and deployment of cutting edge innovations.

- A critical mass of flexible, adaptable, and cost-effective cutting-edge laboratories and infrastructure housed within state-of-the-art Class 1 capable cleanroom facilities built and operated according to stringent industrial know-how, controls, and standards.

- An attractive and effective package of sustained and focused financial investments and matching fund incentives that effectively leverage corporate R&D budgets, thus placing the CNSE industrial partners in a highly competitive business advantage versus other international corporations.

- An on-site "ecosystem" located at the CNSE Albany NanoTech Complex and consisting of a critical mass of global materials and chemical suppliers, equipment fabricators, and computer chip manufacturers that cover every stage of the technology development and product commercialization "food chain."

- A flexible and responsive "Switzerland like" R&D and prototyping environment--protective of each corporate partner's confidential research priorities, individual intellectual property needs, and specific business security concerns, while encouraging pre-competitive teaming at "business speed"--that enables cross-company partnerships to flourish. This environment, with small, medium-size, and major material, chemical, and equipment suppliers teaming with their large customers in proximity to competitors and vice versa, has been highly successful in accelerating product development and creating tangible business value to attract further corporate investment to CNSE and New York State.

- Independence to move quickly and responsively in alignment with corporate technology roadmaps and business development strategies. The CNSE SVP and CEO is supported by an independent management structure that provides CNSE with the critical autonomy and independent standing necessary to manage and marshal resources toward its mission, remaining responsive to the needs and speed of corporate partners.

- A corporate-like administrative and management structure that is designed to reflect industry models, while maintaining accountability and responsibility, including capable business executives at all management levels, and industry trained professionals and engineers to operate and run the CNSE facilities.

- Fully-integrated educational and training programs to prepare the educated and skilled high-technology workforce that is critical to global leadership by "building up" the pipeline of students to innovate in science and technology, while concurrently "building out" the supply of skilled technical and trade union workers to ensure global competitiveness – in the process, creating a true 21st century "learning factory."

The CNSE Education and Commercialization Initiative. Leveraging the New York Innovation Ecosystem for State-Wide Economic Outreach

The Proceedings of the Council on Competitiveness of the 2005 National Summit on Regional Innovation noted that, "...improving a region's standard of living requires steady growth in productivity and that this growth increasingly depends on the capacity for innovation to create competitive advantage. A region's capacity for innovation rests on more than just scientific discovery or idea generation. It is a process that links together regional knowledge, assets and networks to transform ideas, insights and invention into new processes, products and services that capture global market share...." The Council also noted that, "....even as innovation has globalized, the role of regions as the critical nexus for innovation-based economic growth has increased."

In light of these considerations, and as part of a cross-regional economic development initiative first advanced by the New York State Assembly, CNSE is deploying its extensive intellectual assets, state-of-the-art infrastructure, and network of private and public partners to help formulate, tailor, and support technology development and economic outreach strategies that are customized to specific regions of the state.

These strategies are designed to stimulate innovation and education at local universities and colleges, encourage and advance entrepreneurship, and enhance regional business attraction and retention in targeted high-tech industries. Emphasis is placed on emerging nanotechnology-enabled industries where each region already possesses relevant assets that could be transformed into a stable, diversified, and competitive regional R&D and manufacturing eco-system.

These goals are greatly facilitated by the action of November 18, 2008 of the SUNY Board of Trustees, and which tasked CNSE with a business development and economic outreach mission to work with appropriate public and private academic institutions to establish and retain across the State of New York the critical mass of intellectual and physical resources and capabilities including clusters of technical and engineering units from equipment, materials, and component suppliers, research and development teams, and manufacturing groups necessary to ensure optimum execution of nanotechnology-enabled research and manufacturing programs, leading to the creation and retention of high-paying, high-technology jobs and ensuring maximum return on investment for the State of New York.

Additionally, the SUNY Board of Trustees, by the same action, tasked CNSE with a SUNY-wide workforce development and educational outreach mission that aims to assemble and deploy the critical intellectual and physical resources necessary to support appropriate educational institutions and not-for-profit organizations in the creation of the complete instructional continuum from K-12, through certificate level skills training, and two- and four-year curricula, leading to the full array of nanotechnology-enabled degree granting programs.

In accordance with these actions, CNSE has launched an economic outreach initiative that focuses on educational, business, and commercialization public-private partnerships in targeted regions across the state. These partnerships integrate the educational portfolios and business roadmaps of appropriate public and private academic institutions, and leading nanotechnology manufacturers and top equipment and materials suppliers with CNSE's resources, capabilities, and network to advance the best education and training opportunities for the state's workforce, and enable optimized technology development, highest leveraged product prototyping, and fastest time to market for the state's companies and corporations, leading to high-paying job creation and retention.

One example of such targeted regional education, commercialization, and economic outreach partnerships is the "Computer Chip Hybrid Integration Partnership" (CHIP) between the SUNY Institute of Technology (SUNYIT) and CNSE. Funded with $92.5 million in NYS capital investment as matching funds to $133.5 million of IBM, SEMATECH, and Intel funding, CHIP creates a computer chip R&D integration center located in Albany coupled to a nanotechnology accelerator/business incubator located at SUNYIT. CHIP would create 200 new high tech R&D jobs at CNSE, as part of the computer chip R&D integration center, and 475 new high tech supplier and contractor within or in proximity of the SUNYIT nanotechnology accelerator/business incubator. CHIP would also support a joint educational and training curriculum between CNSE and SUNYIT to prepare the high tech workforce necessary to support computer chip integration and deployment in the state.

Other examples include partnerships under development with the Metropolitan Development Association of Syracuse in the area of defense and aerospace; the SUNY Downstate Medical Campus in the area of nanomedicine and smart healthcare; and SUNY Binghamton and SUNY Stony Brook in the area of renewable energy. Discussions are also under way with the City University of New York for a potential partnership in green energy technologies.

In closing, creating and sustaining an innovation-based economy across New York is realistic and achievable given the presence of diversified and enabling educational, research, and business outreach assets in every region of New York. These assets could be evolved into a coordinated critical mass for innovation and deployment that integrates three anchor components: (i) intellectual knowledge, (ii) physical resources, and (iii) networks (partnerships) targeting nanotechnology-enabled growth industries.

This strategic approach would seek to link local academic, business, and economic resources in targeted regions in the state with complementary CNSE assets and capabilities to establish individual, region-specific, "megaplexes" that host vertically-integrated supply-chain partnerships that stabilize and expand the region's business foundation and industrial base, leading to high-tech job creation and retention.

Thank you.

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Excell PARTNERS, INC.

Public Testimony
Joint Legislative Public Hearing:
Executive Budget, Economic Development
February 1, 2010

I am here this morning to speak with you about what may prove to be one of the most important economic stimulus programs presented to you in this year's budget – the **New York Seed Fund.**

By way of introduction and background, Excell Partners provides pre-seed and seed stage financing to high-tech start-up companies. It was formed in 2005 as a partnership with the University of Rochester and the State of New York to support upstate regional economic development. Excell's mission is to bridge the funding gap and prepare companies for their next major round of financing. Excell focuses on technology companies emerging primarily from upstate regional universities and research centers. Since 2005, Excell has been at the epicenter of seed funding in upstate New York. When we talk about the issues facing our region we are speaking to you from experience and from a documented researched perspective.

PROBLEMS

Problem 1: Enormous unexploited potential for high-tech start-up companies

From our research we know that NYS has extraordinary universities and academic research centers. Collectively, they are one of this state's greatest assets and potentially the key to its future innovation-based economy. Our universities alone spend about $4 Billion annually for R&D. These R&D dollars split almost exactly 50:50 between Upstate and Downstate. When we add the R&D spending from our other non-university centers (Roswell Park in Buffalo, Brookhaven Labs in Long Island, etc) the total for academic R&D spending in NYS increases to $4.5 Billion. This places NYS #2 in the nation for university-based R&D second only to California. We conduct more R&D than 48 other states.

However, despite the fact that NYS is #2 in the nation for R&D, second only to California, NYS receives only 4% of the venture capital spending nationwide, while California receives 48%!! We have a problem. Our problem is that NYS is significantly behind other comparable states in its ability to get R&D to the market. We lack the resources to capitalize on the incredible amount of R&D taking place throughout the state. The result is that as we stand here today, based on our R&D, NYS has the highest unexploited potential for the creation of new companies than any other state in the nation.

Problem 2: Insufficient Ecosystem - Lack of capital, connections and network

From our experience over the last four years Excell has witnessed first hand the many challenges facing high-tech start-ups in our region. Currently, the upstate region is lacking in 3 key areas:

- An entrepreneurial ecosystem. Entrepreneurial activity does not exist in a vacuum. Other critical elements such as educational programs, technical support services, mentoring and economic infrastructure are essential to the overall success of a young start-up company.

- Management talent. Perhaps the single biggest challenge for our region is attracting the management talent for the high-tech start ups. The region needs to develop a system to be able to identify, track and connect the management talent with the technology talent. Such a system requires resources.

- Financial Capital. And finally, we need to provide financial capital to these start-ups at the pre-seed and seed stages, which are the most critical stages in the commercialization continuum.

Problem 3: High-Tech start-up companies are leaving New York State

As a direct result of these challenges, we are seeing too many companies throughout the region floundering in the Valley of Death. Consequently, we are also seeing too many companies leave the state of New York and go to other states where they have a vibrant entrepreneurial ecosystem. From Ithaca alone, we can site six Cornell spinout companies that have left New York for California and Massachusetts. These six companies, all of which started in New York, collectively raised $131 million and are today headquartered outside of the state of New York. Imagine how frightening that statistic might be on a statewide basis.

SOLUTION – A New York State Seed Fund

Our solution to addressing these challenges is to establish a state-supported seed fund. Such a fund would provide the human and financial resources to high-tech start-up companies to better enable them to grow and prosper right here in our home state.

In designing a successful seed fund it should:
- Be large enough to make a difference
- Be regional in scope
- Require participation and co-investment with the private sector
- Provide the latitude to support the ecosystem
- Seek to become self-sustaining through a profit motivated mission

To the extent possible in 4 years time, Excell Partners has demonstrated that a seed fund can work successfully in New York. Our track record bears this out.

- Since its inception in 2005, Excell has invested:
    - $2.4 million dollars
    - In 21 companies
    - In Ithaca, Geneva, Rochester, and Buffalo

- In the fields of Biotechnology, Medical Devices, Industrial/Energy, Electronics and Consumer Products

- Excell's average investments are matched more than 4:1 by private co-investor capital, for a total average Seed Round raise of about $670K per company.

- Total co-investor and follow on funding for our portfolio companies is $58 million for a 24:1 leverage ratio

- To date 139 jobs have been created with much potential for future growth.

In the jargon of the innovation commercialization process, one might say that Excell Partners has already beta tested the concept for a state-supported seed fund. With the appropriate funding and design, the seed fund concept can become a commercial success for New York State.

Currently, the Assembly has a bill (A9406) to create the Seed -NY Investment Fund. With the exception of one feature[1], the language proposed in this bill is sufficient to create a framework upon which to build an effective state supported seed fund. It is regional in scope, requires a private sector match for investments and is specific in its requirements for reporting and accountability. Most importantly, the Assembly bill allows for the management and decision making at the regional level and not at the state level (A retail, not wholesale approach).

In the quest for a New Economy, is there any question that innovation is the answer? By definition, innovation is about growth. Innovation is about new ideas being developed into new businesses that develop new jobs, new sources of revenue, new economic activity for both the public and private sectors in a community. Innovation is about *real growth*. Real growth is sustainable. Sustainable growth is expansive and long term. By any key measure of an innovation economy, high tech start-ups are critical to the success of the economy. Your support of a NY Seed Fund is foundational. You hold the key for the future economic growth of New York State. We strongly urge your support of a NY Seed Fund in this year's budget.

Thank you for giving me this opportunity to speak with you!

Theresa B. Mazzullo, CEO
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[1] The current bill sets a cap of $5million per region. It is not clear whether this is a one time allotment or annual, as other states provide. However, either way fixing an amount does not recognize the differences in the size of the regions and the amount of deal flow from the regions. Setting a set dollar amount eliminates the ability of the state to adjust the amount to fit the regions. For example, New York City could easily justify 2Xs the amount of any one region in other parts of the state. One suggestion would be to eliminate a cap altogether which will give the state maximum flexibility to match the funding to the market potential and to expand the fund in the future as budget dollars allow.

EXCELL PARTNERS, INC.

FACTS

Date of Inception: 2005 (3rd quarter)

Total amount invested since inception: $2.4 million

Number of companies in portfolio: 21

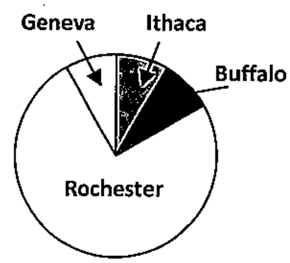
Development stage of companies in Excell's portfolio: Seed Stage (pre-revenue)

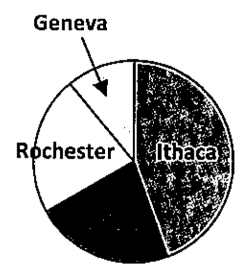
Excell Objectives:

- Solicit high quality deal flow from across the upstate NY region
- Transition investable start-ups across Valley of Death
- Assist high-potential start-ups in obtaining professional Round A investors
- Facilitate economic development for the region
- Create a self-sustaining fund

PROGRESS REPORT

	2005-2006	2007-2008
Total Companies:	12	9
Investments by Region:		

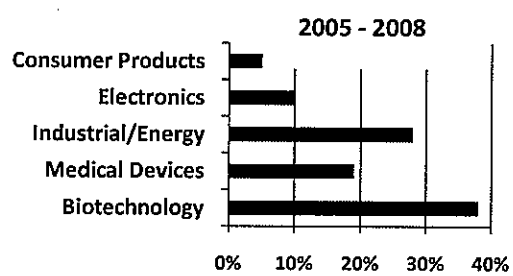




	2005-2006	2007-2008
Deal Flow (Number reviewed):	44	139
Average Size of Excell Investment:	$92,000	$134,000
Matching Co-Investor Capital:	no match	**4:1 match**
Total Average Deal Size:		$670,000

ECONOMIC DEVELOPMENT

Investments by Industry:



Follow-on Funding – All Sources (as of January 2010): **$58.8 million**

Follow-on Venture Investments:	$31.9 million
Federal & State Grants:	$19.5 million
Private Industry Contracts:	$1.8 million
Loans & Other Capital:	$5.6 million

Direct Economic Impact:	Jobs	91 FTE + 48 PTE = 139 Total
	Revenue:	$3.0 million
	Indirect Revenue:	$11.6 million

Indirect Economic Impact: Excell's companies outsource services to local law firms, manufacturers, accounting firms, engineers and consultants

9

N Y B A

Testimony of Nathan Tinker, PhD
Executive Director, New York Biotechnology Association
Monday, February 1, 2010

Thank you, Mr. Chairman, and committee members for inviting me to speak to you today.

First of all, let me commend both the Governor and the committee for addressing the lack of seed capital available to New York entrepreneurs.

I must also point out, however, that today more than 25 states and Puerto Rico report supporting one or more seed-investment funds. Some of these are specifically focused on the life sciences, such as Pennsylvania's Life Sciences Greenhouses, which make investments of between $200,000 and $500,000 in early-stage life sciences companies; or the Puerto Rico Bio Science Investment Fund, a $250 million fund that invests in bioscience companies.

It is not hard to see what New York has lost over the years by not encouraging emerging company growth. New York is responsible for nearly $4 billion in annual university R&D expenditures, second only to California. This represents some 8% of the total university R&D expenditures in the US. Likewise, New York ranks third in the nation in attracting NIH funding, attracting nearly $2 billion in grants annually, behind California and Massachusetts.

But when it comes to transitioning this multi-billion dollar annual R&D investment into commercial opportunity, New York lags severely. I am sure you have all seen the statistics that Excell Partners released last year on the differential between in-state venture capital spending in New York versus other states. Of those statistics, the one that stands out most viscerally to me is that 91% of New York-based venture capital is deployed outside of New York State.

Just one example: in 2007, New York venture capitalists invested $1.1 billion in California startups, while California VCs invested only $166 million in New York startups. Indeed, in that same year, New York VCs invested only $250 million in-state, while California VCs invested nearly $6.5 billion locally.

New York VCs often explain this discrepancy by saying they cannot find enough investable companies in New York State. The fact is that New York startups often do not have access the financial backing in their earliest phases to propel them to a level of maturity at which venture investment is viable.

The discovery and development of new technologies is a very expensive process that can cost millions of dollars. What many people do not realize is that there are major

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www.nyba.org

costs incurred after the initial R&D has been completed. These include the cost of assessing the competition, the likely market, and the price points for competitive advantage; developing a prototype; preparing a marketing and sales plan; and scaling up for manufacturing. Finally, actual product distribution, sales, and marketing costs must be undertaken. Sufficient capital must be available to fund these activities in order for business growth and economic development to occur.

While these needs apply to all technology-based companies, many bioscience companies, at least those involved in biomedicine, need to access larger amounts of capital for longer time periods to cover the development process for products that must go through clinical trials and obtain regulatory approval before they can be introduced into the market. The typical biopharmaceutical therapy takes 10 to 15 years and requires $1 billion or more in investment.

Yet, New York offers few sources of funding to bridge the gap between the points at which 1) a discovery has been identified and demonstrated and 2) a business case has been validated and venture or other debt capital can be obtained. It is also difficult to obtain seed and early-stage investment because venture funds, as they have become larger, tend to make larger, later-stage investments. As a result, angel investors have also moved downstream, making more post-seed and later-stage investments than previously. So, in addition to the difficulty of obtaining translational research and precommercialization funding, firms are facing a gap at the start-up phase where they need $500,000 to $2 million.

With that in mind, let's consider the two seed fund proposals under discussion today.

The proposals are similar in their overall goals, but differ in execution and are both rather vague in their exact dollar investments and in their time frames. In order for such an initiative to be successful, it is vital that the fund be large enough to make a difference and have a lifetime long enough to be successful. A one-off, one-year initiative, while perhaps better than nothing at all, will do little to create a sustainable platform for industry growth—what incentive will partner investors or, for that matter, entrepreneurs have in applying to the program if they know that support mechanism will be gone in 12 months? This problem is exacerbated by the requirement of at least 1:1 matching funds— again, a single-year program will not make VCs or their limited partners eager to co-invest.

In contrast, Pennsylvania's vaunted Ben Franklin Fund has been active for 25 years. The return on that lengthy investment has been considerable: for just the 4-year period from 2002 to 2006, the state garnered more than $517 million in additional tax revenue, boosted the Pennsylvania economy by $9.3 billion and generated 10,165 job-years thanks to the Franklin Funds' investments.

Along with its longevity, the Ben Franklin Fund's key characteristic is its de-centralized format that drives investment out of four regional centers according to population and critical mass of R&D. The Assembly's seed fund proposal provides for this sort of de-centralized strategy. Unfortunately, the Governor's plan centralizes the process within ESDC and creates a system where, functionally, a state entity makes the decisions. Interestingly, the Governor's own economic development taskforce recommended against such a strategy, noting that "individual investment decisions should not be made by a state entity; instead the State should hire professional, independent investment managers based upon a competitive process, creating incentives for high performance."

Finally, the fund size itself must be considered. As noted in the Excell report, "the best programs are large enough to make a difference. Creating a large, visible source of seed and venture capital will help generate a willingness on the part of would-be entrepreneurs to take the plunge. . . . there is no magic size for a program, but it must be 'right-sized' for the entrepreneurial and finance environment within the state." In response, we must ask whether either the Governor's or the Assembly's proposal is 'right-sized' for a state with the geographic scope, academic resources and business opportunity of New York.

However, the Governor and the Assembly are to be lauded for calling for investment in seed capital. Both plans have some significant challenges, particularly in terms of the fund's proposed size and lifetime: I believe the State should commit to a Seed Fund program of at least $20 million per year for the next 10 years, which could include a combination of direct investment, targeted tax credits and other incentives—with matching funds, some $400 million could be leveraged to grow New York's new technology opportunity.

While neither proposal is perfect, of the choices at hand, the Assembly seems to have worked out a more effective blueprint for creating and deploying seed investment, one that emphasizes de-centralized administration and tiered funding levels.

By creating a state-sponsored seed fund, New York will have taken a vital first step in invigorating the economic opportunity offered by new technologies. But it should not be construed as the last step—the State must look forward, through a multi-year policy agenda, to address funding for precommercialization and proof-of-concept activities; targeted seed and commercialization funds; and implementing policies that encourage private investment through early-stage and later-stage venture and corporate capital. This includes good business policy because, given the increased competition between states for high tech jobs, a positive business environment for employers who foster such jobs is critical if biopharmaceutical companies (both small and large) are to succeed and grow in New York.

Thank you.

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Testimony of John M. Jennings, Esq.
Attorney, Harter Secrest & Emery, LLP
Joint Budget Committee, Economic Development
Monday, February 1, 2010

Thank you, Mr. Chairman, and committee members for inviting me to speak to you today.

I'm here to talk briefly about the state's Qualified Emerging Technology Company tax credit program. It was designed to foster investment and growth in the small, high technology companies that the State's economy will increasingly rely upon. It's no surprise that the State is focusing on these types of jobs. They are higher paying, and have more indirect economic benefits than most any other sector of the economy. Developing policies to foster growth in these areas was the focus of the Governor's recent report on Diversifying the New York Economy through Industry Higher-Education Partnerships.

As you know, the Empire Zone program is being phased out. Governor Paterson has proposed a new "Excelsior Jobs Program" to foster economic growth, but that program is geared more towards large, well established entities that are in a position to hire 50 or more employees. One of the few programs that targets smaller, early stage companies is the QETC tax program. The state must continue its commitment to it. And with a few changes, these credits can even more effectively spur growth within the state.

This is especially crucial as we face competition from other states and other countries. As explained by the previous two speakers, New York has the building blocks, the billions in research and development, to experience significant growth. But clearly, one of the crucial problems faced by these small New York companies is access to capital.

Traditional tax credits do not really help. In all likelihood, these companies are years away from earning a profit, and so their tax liability is minimal. You can not pay the bills with stockpiled tax credits.

The QETC tax credit program was designed to address these issues. First, the program includes a refundable tax credit for investments in Facilities, Operations and Training. In other words, small companies are rewarded with an actual refund check for making investments in their own growth here in New York. Second, the program includes an investment credit to spur the outside investment that they so desperately need.

To give you a brief overview, eligible companies must have products or services that are classified as "emerging technology," such as new media, communications, IT, engineering, advanced materials, biotech and electronics. The company must have annual product sales under $10M and gross revenue under $20M (in the previous tax year). It must have 100 full-time employees or fewer with at least 75% based in New York and New York-based research and development spending totaling over 6% of net sales.

First, the Facilities Operations and Training Credit: Since its inception in 2005, this credit has proved to be quite beneficial. It is a refundable credit, capped at $250,000 per year for four years. The credit is comprised of three parts:

1. A research and development property credit for costs related to the purchase or lease of property to be used for research and development.
2. A qualified research expense credit for costs associated with in house research and development.
3. A high technology training credit for training expenses of employees at colleges or universities in New York.

This is a great program, but there are two things that need to be addressed. First, the program is set to expire at the end of next year, and it must be made permanent. Second, the credit must be enhanced by increasing the annual cap to make it more comparable to current programs found in states such as Pennsylvania, Washington, Maryland, North Carolina, Wisconsin and Illinois, and counties such as Canada, England, and Singapore. .

Last legislative cycle, Senate Bill 3430 sought to accomplish these goals, and I would commend the members of the panel to look at that legislation as a model.

The second aspect of the QETC tax program that I want to address is the Capital Credit, designed to spur outside investments in these companies. As it currently operates, the credit provides a 10% credit for entities that invest in a QETC and hold on to that investment for four years. The total aggregate amount of the credit is $150,000 over four years. The credit also allows a 20% credit up to $300,000 for investments that are held for 9 years.

From a practical standpoint, these time frames are much too long. Investors need much more flexibility when dealing with the highly volatile world of small emerging technology companies. Predictably, these credits have gone practically unused, and the commendable underlying purpose of the program has gone unfulfilled.

Assemblyman Morelle and Senator Valesky have sponsored legislation this session to remake the credit to more effectively drive investment into these small companies. The bill numbers are A. 1892 and S. 3083. This legislation would increase the amount of the credit, shorten the applicable time frame to three years, and create a special increased tax credit for qualified seed investments. This legislation would do much to spur investment in New York companies.

I commend the legislature for its efforts to spur the innovation economy in New York by creating this program. However, the QETC program must be enhanced to keep our state competitive. It is strategic because it fosters investment in the very early stage companies that are just launching, and it provides competitive benefits for the small emerging companies that choose to stay and grow here in New York.

In closing, I recommend that members of this committee read a recent report titled, "State Legislative Best Practices in Support of Bioscience Industry Development." The Biotechnology Industry Organization put together the report to highlight the value of this sector of the economy and to outline state policies that foster the most growth in that area. The report can be found at BIO's website, www.bio.org.

The report contains some highly effective programs that other states are implementing to attract and grow the high technology jobs that New York needs. Unfortunately, no New York programs are highlighted in this report. Enhancing the QETC tax credit would go a long way to position New York to be more competitive in the development of emerging and high technology companies and the jobs that they create.

Thank you for your time today.

TONY ARGENTO, Owner
Broadway Stages Film Studio

Economic Development
Budget Hearing
2/1/10

Senator Carl Kruger, Chairman

Chairmen and members of the committee, thank you for the opportunity to appear before you today. My name is Tony Argento, I am the owner of the Film Studio Broadway Stages.

My company Broadway Stages has been in business for over 26 years. We started the studio with just over 18,000 sq ft and we now have over 500,000 sq ft of space. Our studios are located in Greenpoint and Long Island City, Queens. The following Hollywood films have been shot at our facilities: It's Complicated, The Brave One, Duplicity, The Bounty and The Good Shepherd. Currently the following network television shows are shooting on our stages: "The Good Wife" for CBS, "Rescue Me" for Sony, "Royal Pains" for NBC and "How to make it in America" for HBO. In addition to our soundstages, Broadway Stages houses shop space, storage space, office space, editing space and film specialty shops.

We at Broadway Stages thank the State Legislature for its continued support of the New York State Film Industry and urge it to adopt the Governor's multi-year film tax credit provided in his proposed budget.

Let me begin by again thanking you. I can say with complete confidence that without your support, Broadway Stages would not have had the success that it's had since we started in business. I remember clearly the period prior to the implementation of the film tax credit. It was a difficult time, when most film and television productions avoided New York and chose to not come here because of financial reasons. Like the rest of the New York State film industry, Broadway Stages suffered. It was only with the implementation of the Empire State film tax credit that film and television productions recalibrated their attention on New York State and started coming back to film here. It is for this support that the New York State film industry speaks with one voice in endorsing the continuation of the program.

Broadway stages employs 30 employees. In addition, we have 6-8 productions working full time employing literally hundreds of workers. The vast majority of these workers are unionized and therefore enjoy good wages and benefits. Currently, I am seeking to expand Broadway Stages to add seven new sound stages with an additional 75,000 sq ft of support space. However, I can only undertake this new venture with the confidence that film and television productions will continue choosing to shoot in New York.

I understand that we live in a difficult economic climate. As Broadway Stages seeks to expand its facilities, we have seen first hand how banks have become more cautious in providing financing for such projects. For this reason, for the jobs that have been created and for those that will be created, for all the vendors that Broadway Stages does business with, it is vital to our New York based film industry that we continue to enjoy your support for the Empire State film tax credit.

Thank you for this opportunity to testify.

Tony Argento

11 (3)

TESTIMONY OF DOUGLAS STEINER
PRESIDENT, STEINER STUDIOS
AT THE NEW YORK STATE JOINT LEGISLATIVE BUDGET
HEARING ON ECONOMIC DEVELOPMENT
ALBANY, NEW YORK
February 1, 2010

Chairman Farrell, Chairman Kruger and members of the committee, thank you for the opportunity to speak today. My name is Douglas Steiner and I am the Chairman of Steiner Studios, which is located at the Brooklyn Navy Yard. I am here to talk about the importance of the New York State Film Production Credit program, which has so successfully impacted the lives of thousands of New Yorkers.

My father, David and I built Steiner Studios from the ground up, investing $100 million to create a full-service, state-of-the-art center for film and television production to rival the biggest studios in Hollywood. We opened in November of 2004 and have expanded three times already. We now total 305,000 square feet, with five soundstages, including a 27,000 square foot stage that is the largest on the east coast.

When we started, we said that there wasn't any reason why the $5 billion film and television business in New York shouldn't be a $10 billion business in 10 years. We are at about $7.5 billion now, halfway to our goal. The intellectual capital is here, as is the crew base – the carpenters, welders, set painters, costume designers, seamstresses, hair and make-up artists, prop specialists, electricians, grips, set designers, camera operators – the list goes on and on. And of course actors, including extras, which in New York means they are available in every size, shape, ethnicity, age, and talent imaginable.

We see our mission as eliminating obstacles to working in New York. This means two things. First, having a real movie lot just like they have in Los Angeles, because that's the model that works, with everything under one roof to create cost savings and create synergies. The second thing is to have a tax credit program that preserves existing jobs, creates thousands of new jobs, and attracts substantial investment, thereby building another economic pillar for New York State, at zero net cost to the state, while also being cash flow positive to the state.

Our results, in our five short years of existence, are as follows. Steiner Studios alone has hosted feature films and television shows with budgets that aggregate approximately $1.6 billion. These productions were done at Steiner only because we made the investment to build our studio, and because of the production tax credits. Our movies include, but are certainly not limited to: Mel Brooks' "The Producers"; Spike Lee's "Inside Man"; "My Super Ex-Girlfriend"; "Enchanted", which was the first big-budget Disney movie ever made almost entirely in New York; "Spiderman 3"; Denzel Washington in "American Gangster"; the Coen Brothers' "Burn After Reading", which is their only movie ever made in the state they call home; Tina Fey's "Baby Mama"; and a movie coming out soon called "Brooklyn's Finest", written by a young baggage handler at JFK, his first script ever, and getting rave reviews. Also coming soon to a theater near you, Matt Damon in "The Adjustment Bureau", and a Disney/Jerry Bruckheimer film that dwarfs the $80 million dollar budget for "Enchanted", the $200 million "Sorcerer's Apprentice" starring Nicholas Cage.

This business was in the pits before the tax credit program started in November of 2004 with our opening. When we were planning Steiner Studios, some folks in the industry were worried about losing their share of a rapidly shrinking pie. Now look at the contrast. We're all here together. Kaufman Astoria is completing an expansion, Silvercup is expanding, Broadway Stages in Greenpoint is expanding, and we're continuing to expand, to realize our vision of a 50 acre movie studio in the heart of New York City.

We are about to double in size, adding another 275,000 square feet, with 10 more stages and again a full complement of support space, consisting of dressing rooms, hair and make-up rooms, and areas for set construction, wardrobe departments, scenic artists, props, set dressing, art departments, production offices, and post production including editing suites and dubbing stages. If we had it today, it would be full.

So on top of our original $100 million investment, this will represent another $75 million, roughly 350 construction jobs, and double our job count from 1,000 to 2,000 high-paying, direct jobs. We want the business to plant roots here. That means building the physical infrastructure the way that we are doing. And it means having a level playing field via the tax credits. New York has a diamond district, a fur district, the financial district, even a button district. We want to be the film and television district, because geographic concentration and critical mass promotes growth for this industry. We can ultimately grow Steiner Studios to 5,000 direct jobs. But we do need the tax credit to get there. Without it, business will fall off a cliff. This business is manufacturing for the 21st century, and it's one type of manufacturing that New York does well. The tax credit keeps New York competitive, and fuels job growth and infrastructure investment. It makes money for the state, but even if it were to only break-even, it's still a no-brainer.

Thank you for the opportunity to testify here today. I look forward to continuing to work with you as we expand the film industry in New York. I am happy to answer any questions that you may have.

11. (6)

MOTION PICTURE ASSOCIATION
OF AMERICA, INC.

TESTIMONY OF

VANS STEVENSON
SENIOR VICE PRESIDENT
STATE GOVERNMENT AFFAIRS
MOTION PICTURE ASSOCIATION OF AMERICA

BEFORE

THE NEW YORK LEGISLATURE
JOINT LEGISLATIVE BUDGET COMMITTEE
ECONOMIC DEVELOPMENT

MONDAY, FEBRUARY 1, 2010
LEGISLATIVE OFFICE BUILDING
ALBANY, NY

Chairmen Kruger and Farrell, members of the committee--thank you for the opportunity to appear before you today. My name is Vans Stevenson. I am the Senior Vice President for State Government Affairs at the Motion Picture Association of America.

As you may know, the MPAA is the trade association representing the nation's leading producers and distributors of motion pictures and TV programs. Members include Disney, Fox, Sony Pictures, Paramount, NBC Universal and Warner Brothers. CBS is an associate member.

We applaud the Governor's and State Legislature's bi-partisan effort that launched and has continued one of the nation's most successful production tax credit programs. This proven economic stimulus program has produced thousands of jobs—an estimated 32 thousand in the past year alone…contributed billions to the New York economy--$1.8 billion in the last nine months. The program has also returned millions in positive revenue back to the state based on its investment.

Given the program's strong return on investment, the $350 million in 2009 budgetary funding will yield an estimated $679 million in total state and local taxes over the course of the production period. This is according to a study just completed by Ernst & Young commissioned by the New York Film Office and the MPAA.

Crucial state revenue is being generated at a time positive cash flows are desperately needed. What compounds the benefit of these positive state revenue balances is the three year deferral mechanism. The three-year credit recovery period allows an even greater front load of revenues for New York State at a time when revenue is so desperately needed.

We strongly support the adoption by the legislature of the Governor's Executive Budget proposal to keep the New York production tax credit package alive and competitive with other states and Canada.

We are encouraged that New York continues to recognize the positive economic impact that film production has on the state and local economies.

However, the $350 million appropriated in April 2009 has now been fully invested. The New York Film Office once again reports the program again this past year was an enormous success in creating jobs and stimulating the state's economy.

To reiterate, the state's $350 million investment over the past year--- generated $1.8 billion in spending into the New York economy.

For every dollar invested by the state, five dollars was spent by production companies on jobs, goods and services. Thousands of new high-paying jobs for New Yorkers as well. Again, 32,000 jobs created or retained in the past year alone.

The growth of this industry provides continued employment for residents as well as a welcome and sustainable stimulus for scores of small businesses affiliated with these productions....restaurants, dry cleaners, lumber yards, hardware stores, equipment rental companies to name a few.

The program's funding should be extended as outlined in the Governor's budget. More than 40 states now have production tax credit programs. Many of these are strongly competitive with New York. Canada has a combined 35% credit that covers the Province of Ontario where Toronto is well equipped with crews and state of the art production facilities. Michigan has a 42 per cent credit. Connecticut, Pennsylvania, Massachusetts, Georgia, Illinois, Louisiana and New Mexico all have comparable tax credits to New York as well.

California proved it can keep productions in the Los Angeles area with its credit that was in place the last year.

MPAA's member companies must make production location decisions primarily based on cost. Budgets are very tight.

Our production companies with television and movie projects will be forced to move or locate their productions -- taking thousands of jobs elsewhere if the program is not extended. Our companies are faced with the same economic pressures in this unstable economy as other industries.

Despite headline box office successes in 2009, most of the revenue that fuels the motion picture and television business comes from DVD sales, advertising revenue and license fees. Those revenue streams have suffered in the past two years.

We are sensitive to the state's critical need for prudent investments, particularly with a significant revenue deficit. Numerous studies have analyzed the economic impact of the New York program. Most have to the same conclusion…the program's positive return on investment, a positive impact on the economy and thousands of jobs are created. No other economic development programs can make this same claim.

The Governor's budget proposes a $2.1billion funded program over five years. According to the Ernst and Young analysis, this funding is projected to yield 180,176 jobs and $10.515 billion in total spending into the New York economy over the five year period.

These numbers do not reflect the additional economic impact associated with construction and refurbishment of production facilities. That additional economic stimulus impact could be substantial.

It is interesting to note, one MPAA member alone, Disney, last year in NY spent $169 million on three features, which created scores of new jobs...Step Up 3D, When in Rome and Sorcerer's Apprentice.

There are scores of businesses--like Mr. Jackman's company and the local production studios represented here today by Mr. Kessner and Mr. Steiner--that provide goods and services to motion picture and television productions.

The benefits extend beyond jobs and tax revenue. Film and television productions also result in payments of millions to other vendors, suppliers, small businesses and entrepreneurs in New York. They are all vital to the economic health and well being of communities throughout the New York.

On behalf of my members I urge your swift approval of this great investment that creates thousands of well-paying union jobs and helps fuel the New York economy.

Thank you. Chairmen and members of the committee, I would be glad to answer any questions you may have at this time.

11 (7)

TESTIMONY SUBMITTED BY BRIAN O'LEARY, SENIOR VICE PRESIDENT & TAX COUNSEL, NBC UNIVERSAL

JOINT LEGISLATIIVE PUBLIC HEARING ON ECONOMIC DEVELOPMENT FEBRUARY 1, 2010

Mr. Chairman, members of the committee, I am Brian O'Leary, Tax Counsel for NBC Universal. I am before you to speak in support of the Governor's proposal to extend and refine the NYS Film Tax Credit.

The Governor's proposal extends for five years a program that is a proven catalyst for growth. A program that, through the support and leadership of the Legislature and Governor, has caused a resurgence of production activity making New York once again one of the world's leading production centers. For this, NBC Universal is grateful.

A five-year extension addressed the program's one frailty providing long sought certainty. The ability to plan long-term will avoid the boom and bust production cycles that in prior years deprived New York State of the fullest return on its investment. The inability of the industry to plan beyond the short-term cost New York the opportunity to attract dozens of television pilots over the past few seasons. The absence of pilots of course lead to the loss of the succeeding series', the cornerstone of stable industry employment.

The traditional pilot season occurs in the first quarter of every calendar year. Producers will commit their projects to a filming location with the aim of securing a series order.

For the second consecutive year, funding for New York's tax credit program is exhausted before pilot season is underway. For yet another season, NBCU, as will so many other producers, is forced to modify scripts and bypass New York during pilot season, having to opt for New Jersey, Vancouver, Toronto and Chicago, to name just a few cities. In 2008, there were 20 pilots shooting in NY, in 2009 there were 3.

The true opportunity cost for New York, however are the series' that pilots spawn. As series' are produced beyond New York's borders where the pilots were successfully filmed, New York's base of series' are steadily eroding, rather than expanding.

Adding to the challenge caused by past funding uncertainty is the chilling effect on TV producers that have witnessed the program's credit depletion twice. As a result, even as a $350MM film tax credit life line was included in the 2009-10 budget, television producers opted for Canada or states with a stable credit source. Rather than make the hard choices about moving or shutting a project down if tax credit funding was yet again depleted, producers will eliminate the risk and bypass New York.

The Governor's proposal will reduce the downward trend on pilots and series'. Television, in conjunction with a robust features business, will resume its growth trajectory.

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The Joint Assembly Ways and Means

and

Senate Finance Committee Hearing on Economic Development

2010-2011 Executive Budget Proposal

Testimony of
Andrew Hardwick
Mayor

Incorporated Village of Freeport, New York

February 1, 2010

Chairman Farrell and Chairman Krueger, members of the Ways and Means and Finance Committee, good afternoon! My name is Andrew Hardwick; I am the Mayor of the Incorporated Village of Freeport, NY. I represent approximately 70,000 rsidents (47,000 according to the 2000 census undercount). We are the second largest municipality in the State of New York.

Thank you for welcoming me here today. There are a number of items that I would like to discuss with you at length; but due to time constraints, I will only address a few of them today.

CDBG ECONOMIC AID DISTRIBUTION

As you are no doubt ware, CDBG aid from the federal government has been cut. This has left those municipalities and their EDCs that traditionally rely on those monies seriously strapped for cash to fund new and on-going Economic Development projects. We urge you to search for the fat and special items in the State Budget, excise them, and transfer the resultant monies to fill the hole left by the block grant cuts.

Freeport is one of those communities that form the statistical base upon which the Nassau County Consortium of which we are a member relies for its application for aid to depressed communities. The Consortium qualifies for this type of aid because it uses our, and a few other majority-minority area, census-based statistics, such as unemployment, poverty level, school-lunch population, and crime. The problem, which is exacerbated in the current economic climate, is that we do not get our fair share of the total block grants that you send to the County for distribution.

Instead of spending the monies in the communities that suffer from the socio-economic maladies that gave rise to the funding in the first place, affluent communities such as Garden City, Great Neck and Oyster Bay have monies peeled-off to fund economic development that they could readily underwrite themselves. This shrinks the size of the pie for those of us who really need the help. Accordingly, Freeport is requesting that you explore the feasibility and adopt a statutory formula that directs Consortium monies to be sent to municipalities in direct proportion to how our statistics form the basis for the funding application in the first instance. In other words, if Freeport forms 50% of the justification for funding, then we should receive 50% of the monies ultimately sent to the Nassau Consortium by the state.

PAYMENTS IN LIEU OF TAXES

Municipalities such as Freeport have frequent requests made by developers to have their taxes waived under a so-called "PILOT;" i.e., a payment in lieu of taxes. This is a serious process that normally has very negative consequences to the Village and school district because it takes real properties off of our tax rolls and replaces the usual tax revenue with a payment that is anywhere from 65% to 95% less than the tax payment that would otherwise be due. Since real estate taxes are the primary source of revenues for local municipalities such as Freeport, every dollar taken off the tax rolls for one person increases the taxes of every other person. This is further aggravated by the fact that majority-minority communities such as ours have a wealth of churches, charitable service organizations and governmental agencies, all of which pay no taxes.

A municipality such as ours is not in a position to absorb such tax waivers, and if given the choice we would deny them in all but the most compelling cases. But this very local situation is not ours to control. County and town Industrial development agencies are usually the one's vested with that authority; and the people who sit on those boards never come from our community, look anything like us, or share our pain. Clearly, we need your help. More specifically, we are asking for legislation that would require the written consent of the Mayor of the municipality as a precondition to the grant of any PILOT for any real property located within the boundaries of an incorporated village.

EMPIRE ZONE LEGISLATION

We are currently partially within a designated Empire Zone thanks to the diligent work of our Assemblywoman, Deputy Speaker Earlene Hooper. We need that zone to be enlarged and for the businesses within that zone to be automatically covered pursuant to a delegation of authority to the Village of Freeport to make the designation, which would be based upon productivity, jobs created and maintained, and a long term commitment to remain in the Village, which would be subject to a repayment penalty in the event of a breach of such undertaking. We would also ask that the legislation be amended to allow for a sliding scale for tax abatement based upon post-designation longevity of the entity in the municipality -- 20% for five years, 50% for ten years, and an additional 10% for every year thereafter.

I would be happy to take any questions that you may have for me at this time.

It has been my pleasure to testify before you today, and I look forward to working with you on these and many future inter-governmental endeavors. I am also inviting you to come and visit "*The Heart of the Sun*," Mrs. Freeport, she is truly the anchor of Long Island.

Thank you for your patience and consideration.

The Office of
MAYOR ANN M. THANE

Amsterdam, NY
Small City. Big Heart.

I'd like to thank the Chairman and Committee for allowing me the opportunity to speak today on a topic that is so vitally important to everyone across the State of New York.

The topic, and our shared goal, is economic development. Our state, the nation and global markets are battling unrivaled economic difficulty and uncertainty. We must respond in this time of need with smart economic development policy and press forth towards financial stability utilizing every avenue along the road to prosperity, both legislatively and administratively.

I come to you to paint a picture of my small part of the world, the City of Amsterdam, New York. Much like other post-industrial cities that had sprouted up along the rivers and canals that cross our great state, Amsterdam has its share of majestic natural beauty, handsome Victorian architecture, and charming suburban neighborhoods. The truth be told, our blessings are numerous, as our city is extremely safe, our location is central to world-class cultural, recreational and educational venues, and we are an extraordinarily close and caring community. We celebrate the fact that 17% of Amsterdam's residents are Latino, which is the largest Hispanic community north of Westchester. We are proud of the waves of immigrant populations that have called Amsterdam "home"; the Italians, the Polish, the Irish and Lithuanian, as we have been greatly enriched by this ethnic diversity.

That said, we struggle with a debilitated water distribution system throughout the city that is rife with leaks and damage and, in a couple of instances, has left us unable to locate a working fire hydrant at the time of crisis. The older neighborhoods are victim to creeping blight and vandalism. More and more of the financial burden is born by our residents, as businesses leave for what is perceived to be more fertile ground elsewhere. Unemployment statistics in our area hover around 10% and the school district is facing certain draconian cuts to operations that are bound to negatively affect the academic performance of our children. Our population is aging, young people are moving away, and our numbers have been in decline for decades.

We are at a point in our history where significant challenge must be met with intelligent action and resolve.

To this end, the City of Amsterdam has identified specific strategies in our Comprehensive Plan and made considerable progress in advancing our initiatives. Through our partnership with the Amsterdam Industrial Development Agency, we have

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developed a dynamic, new marketing campaign to elevate Amsterdam's profile in the region and brand our image as warm, affordable and easily accessible. Restore New York grants and the Brownfield Opportunity Act are allowing us to creatively redevelop old mill sites and revamp our traffic systems. NYS Community Development Block Grants and a Main Street grant are breathing new life into our waterfront heritage area and downtown in the way of newly constructed streets, sidewalks, lighting, facades and parks. The NYS HOME Program has allowed for targeted rehabilitation of residences and we are partnering with our county to demolish dilapidated structures in many of our aged neighborhoods. We are designing a vibrant, urban core for our people to visit, shop, work and live. In the near future, we will connect our north and south shores with a beautiful new pedestrian bridge that will inspire private investment in retail and commercial establishments along our main streets. These efforts are directly spurred on by the investment of public monies made available through the Departments of State and Transportation; Parks, Recreation and Historic Preservation; Housing and Community Renewal; the Dormitory Authority; and Empire State Development.

It is this critically important infusion of public monies into our struggling economy that I stridently advocate for today. While understanding that your options on the Budget Committee are limited, that the decisions you make are exceedingly difficult and frequently unpopular, I encourage you to give the communities of Upstate NY the tools they need to reinvent themselves as attractive destinations for families, businesses and industry. Again, well-spent state dollars motivate the imagination of the private sector. The Empire Zone Program kept the building of a new Beechnut facility in Montgomery County and in turn, has lead to the updating of Amsterdam's wastewater filtration systems and brought hundreds of thousands of dollars in water and utility fees to our coffers.

As Mayor of the City of Amsterdam, I look with particular interest at the proposed building of a new data center for the Office of Technology that has been allocated for in this year's state budget. The location of a facility of this kind in the City of Amsterdam can undoubtedly provide jobs and economic assistance to this city, but more importantly light a spark of hope for the future that has long been absent. For years, we have watched hungrily as state resources were funneled to New York City, Albany, and the Northway corridor. I say to you now, that if this governor and legislative body are truly committed to the

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economic development of Upstate New York, you <u>must</u> fairly distribute funds north and west of the capital. Your actions this year can and will have dramatic and lasting effects. The impact of your decisions can and will be truly <u>transformative</u>.

My constituents and I are grateful to you for championing our interests and confronting the problems of today's world with willingness, determination and fiscal intelligence. Thank you again for this opportunity to bring our concerns to your attention. Our faith and prayers are with you.

Mayor Ann M. Thane

City of Amsterdam

February 2, 2010

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Testimony of Peter Saltonstall

Co-owner, King Ferry Winery

Chairman of the Board, New York Wine & Grape Foundation

Before the Joint Committee on Economic Development

February 1, 2010, Albany, NY

Mr. Chairman and members of the Committee, good morning and thank you for allowing me to give testimony today. My name is Pete Saltonstall, and with my wife Tacie Saltonstall I own King Ferry Winery on Cayuga Lake in the Finger Lakes. For the past three years I have also served as Chairman of the Board of the New York Wine & Grape Foundation.

I would like to say two things: Thank you, and please. Thank you for creating the New York Wine & Grape Foundation 25 years ago, and for the incredibly productive partnership between the public and private sectors that it has represented since then. And please support our budget request for the coming fiscal year.

Before I elaborate on those, I would like to tell you a little about my vineyard and winery, which is pretty typical of the other 276 in New York State. King Ferry Winery is a family farm. Tacie and I are both actively involved, as is our son Lev when he's home from college. Tacie's brother John Balliett is our vineyard manager, and our son-in-law Chris Couch runs our tasting room.

We planted the first vines in 1984 and today have a total of 29 acres of grapes. We opened the winery in 1989 and now produce about 10,000 cases of wine annually. We are proud to have won many prestigious awards in international wine competitions, including the International Riesling Championship a few years ago, and we are just as proud of our neighboring wineries for their awards which have generated a national reputation for quality of Finger Lakes and New York wines.

We employ 9 full-time and 80 part-time people, and have invested over $3 million in our vineyard and winery, including the land, trellises, farm equipment, winery building, winemaking equipment, packaging, and everything else that you need to make and sell a bottle of wine. We also welcomed more than 25,000 visitors to our winery last year, stimulating tourism in our rural area near Ithaca. And we paid more than $44,000 in State excise and sales taxes in 2009.

In other words, we and other New York wineries are classic examples of small businesses that drive economic growth. Beyond our own business, we have stimulated the creation of many new small businesses like bus and limousine companies, Bed & Breakfasts and hotels, restaurants and gift shops, and even manufacturing. Years ago, a manufacturer called Vance Metal in Geneva was struggling to survive until we suggested that it begin producing stainless steel wine tanks for our industry. Today Vance Metal is not only selling tanks in the Finger Lakes, but throughout the country.

The Foundation requested $3 million of State funds for fiscal year 2010-2011, a level which we had a couple years ago. We know that may sound like a lot, especially in these challenging times, but it is less than one-one thousandths of the economic benefits we produce, and about one and one half percent of the state and local taxes we pay. In other words, this is a small investment that will generate a handsome return based on a 25-year track record of success and growth.

Last year the Executive budget proposal proposed eliminating all funding for the Foundation from a level of $2.8 million the previous year, but the legislature restored $1.7 million. Thank you. Again this year the Executive budget proposes eliminating our funding, so we again request your assistance in restoration.

I want to make something very clear: We are not asking the State to do all the lifting. Each year our industry puts up over $1 million to match the State dollars and multiply the budgets for research and promotion. We do not have an automatic funding mechanism such as a marketing order, but our industry always fulfills its commitment voluntarily. However, having the State matching funds is a vital incentive to making that happen.

Finally, I want to share with you the strategic goal of the New York Wine & Grape Foundation: "To have the New York grape and wine industry recognized as a world leader in quality, productivity, and social responsibility." Thanks to this partnership, this has been accomplished on a national level and we are advancing rapidly on the international level. We again thank you for your support, and ask that it be continued.

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What's in a Bottle of Wine? $ 3.76 Billion!

(Total economic benefits to New York State from New York grapes, grape juice and wine)

The Ingredients...	The Beneficiaries...	
	Business	**Government***
Vineyard Land	Real Estate Brokers, Lawyers	State, County
Vineyard Workers	Employees & Families	Federal, State, County
Mortgage	Banks, Lawyers	County
Trellises (posts & wire)	Manufacturers, Suppliers, Shippers	State, County
Grape Vines	Nurseries	State, County
Fertilizers & Chemicals	Manufacturers, Suppliers, Shippers	State, County
Tractors & Harvesters	Manufacturers, Suppliers, Shippers	State, County
Farm Equipment	Manufacturers, Suppliers, Shippers	State, County
Insurance	Insurance Companies	State, County
Land for Winery	Real Estate Brokers, Lawyers	State, County
Winery	Building Construction Trades	County
Winery Employees	Employees & Families	Federal, State, County
Mortgage	Banks, Lawyers	State, County
Insurance	Insurance Companies	State
Stemmer/Crusher & Press	Manufacturers, Suppliers, Shippers	State, County
Fermentation Tanks & Barrels	Manufacturers, Suppliers, Shippers	State, County
Bottling Lines & Labelers	Manufacturers, Suppliers, Shippers	State, County
Bottles, Corks & Capsules	Manufacturers, Suppliers, Shippers	State, County
Labels	Designer, Printer	Federal, State, County
Cartons & Shipping Boxes	Manufacturers, Suppliers, Shippers	State, County
Gift Shop Displays & Items	Manufacturers, Suppliers, Shippers	State, County
Shipping of Wine	Transportation Companies	Federal, State
Promotion & Publicity	Ad Agencies, Printers, PR Firms	Federal, State
Excise Taxes		Federal, State
License & Other Fees		State, Local
Employment & Related Taxes		State, County
Property Taxes		State, County
Sales Taxes		State, County
Tourism	Hotels, Restaurants, Gift Shops	State, County
Quality of Life	Consumers, States, Regions	
Resveratrol, Antioxidants	Consumers, Health Care System	

Wine—The Ultimate Value-Added Product (And Pleasure of Life)

*Different types of taxes, especially sales taxes on the state and county levels.

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Testimony before the New York State
Joint Committee on Economic Development
Monday, February 1, 2010

Introduction

Thank you, Mr. Chairman for the opportunity to testify today. I am here to address the issue of 'wine in supermarkets,' legislation Governor Patterson has included in his 2010/2011 Budget Proposal.

My name is William Ouweleen of Eagle Crest Vineyards. Our winery was established in 1872. We have been producing New York State wine for over 138 years, from our original vineyard on Hemlock Lake. Today, we remain the oldest producer of sacramental wine in the New World.

Approximately five years ago, we began producing small batches of Finger Lakes Table Wine, for sale at the Vineyard and through independent wine merchants throughout Upstate New York.

We produce, market, and distribute the wine ourselves and have direct relationships with over 50 independent wine merchants, a growing number every year.

We are experienced operating as one of the oldest sacramental wineries in North America, but are new to the table wine business.

I am here today to share with you our experience as a growing new wine brand breaking into the New York table wine market. I hope these remarks will advance your understanding of the New York wine industry. Many New York wineries share our experience as small producer's farming in our State.

Acknowledgement

Before I begin, I would like to thank Governor Patterson, Assemblyman Morelle, and Senator Kruger for their ongoing interest in supporting the New York Wine Industry.

Their sponsorship of 'The Wine Industry and Liquor Store Revitalization Act' and their openness to hear our opposition to it are appreciated.

In spirit, it is difficult for me to stand opposed to something called the ' Wine Industry and Liquor Store Revitalization Act.' For the record, we are all for the Vitalization of the New York Wine Industry.

Rational Behind Opposition to Wine in Supermarkets

We hope everyone within our State recognizes the potential the New York Wine Industry holds for our State. Already, we deliver over $3.5 billion of economic impact each year.

Even throughout this Great Recession, New York wineries are enjoying growth.

Wine remains one of the few products New Yorkers manufacture with pride. Dr. Frank's, Herman Weimer, and a growing number of New York wineries are winning top medals at international competitions.

Tourism is strong. New wineries and restaurants continue to open, and we have yet to see any attrition with wineries. No one I know is getting rich operating a winery in the New York climate, but many are sustaining operations and reinvesting in their production capacity to improve quality and secure an international reputation for excellence.

We think the trend is up and the future is bright. So it puzzles us when proponents of 'wine in supermarkets' contend that we need more New York outlets in order for wineries to grow.

For the record: We do not suffer from a lack of access to wine in New York State. According to a recent study by Cornell Professor Bradley Rickard, New York is already the second greatest wine consuming state in the Union.

We don't need more outlets, we need more consumer demand for New York wines. We need more New York wine consumers choose New York-made wines. I am told that less than 10% of the wine consumed in New York is New York-made. We think the challenge is more fundamental than lack of wine in supermarkets.

We have to educate New Yorkers on the rising caliber of New York wines and have them experience locally-made wine to better understand its true value.

Already we see more opportunities than we can staff to encourage more New Yorkers to enjoy New York-made wines.

'Wine in supermarket' advocates are encouraging a liberalization of our alcohol beverage control laws and admit with wine in supermarkets, New Yorkers will consume more wine.

We do not need to encourage more New Yorkers to drink so that the New York Wine Industry can grow. That is not the challenge we seek.

Allowing wine sales in over 19,000 outlets concerns us, given the rise in demand for sweet wine among young, new wine drinkers. We make wine for adults to enjoy with meals and do not want it ever to fall into the hands of underage drinkers. We have all recently seen the challenges "Nutcracker" brought to the boroughs of Manhattan. We have little risk of that problem today with wine, given the controls in place at wine stores and at the vineyards.

Wineries who are succeeding recognize New York wine is a hand-sold product. Rising consumer demand for New York wines has driven greater shelf space allocation in retail stores. We continue to see wine merchants increasing shelf space for New York sections and see the best stores adding square footage to keep up with rising demand.

We find the marketplace to be functioning as it was intended. We have not found much difficulty in opening new store relationships to carry our wine. Our challenges are much more about the logistics of servicing stores and educating consumers, but we do not suffer from a lack of outlets.

For those wineries who consider themselves saturated in New York State, it would seem there are many export opportunities to enjoy, a strategy many major wine producing regions in the world have leveraged.

For many small wineries, the current system is working and needs no help from government.

The many 'Pride of New York' sponsored events are a great tool for us to educate New Yorkers and grow demand for our wines. When asked by consumers to carry our wine, wine merchants throughout Upstate New York create shelf space four us and open their calendars to feature our wines with in-store tastings.

Therefore, we see the 'wine in supermarkets' issue from a Risk vs. Reward perspective:

> Given the growth of the New York Wine Industry and its increasing international acclaim for quality wines, and given that most wineries, liquor stores, and wine consumers did not ask for these changes, why risk exposing any part of our industry to potentially negative consequences?

Dr. Rickard, in his recent Cornell study, projects that liquor stores will lose between 17% and 38% of their business, should wine sales be allowed in New York supermarkets.

Most small businesses cannot sustain a loss of 38%.

What we see proposed is a potential opportunity to increase overall wine consumption in New York State by 20% at the expense of untold small wine merchants whose businesses would close.

As a small producer who depends on the small local stores to hand-sell our wines, the effect of their closure on our retail sales would be negative as well.

It is unlikely we would ever produce wine on such a scale as to meet the demands of a large supermarket buyer, so the proposed legislation holds risk without reward for us, for our retail partners and for many small wineries throughout our state.

It seems imprudent to put hundreds if not thousands of businesses out of business for a 1% solution to the budget deficit. This is the primary reason we remain opposed to the sale of 'wine in supermarkets.'

Additionally, we do not want any greater consolidation in the buying power within the New York Wine Industry. Presently no one buyer can corner the market. With the opening of markets to mega buyers such as supermarkets, wine becomes a commodity just like every other SKU in the store.

We do not want wine to become just another commodity product in New York State. We do not want winemakers and grape growers to face the same plight as our dairy farming neighbors.

NYS wineries and vineyards add character, creativity, and commerce to our State. Please hear us. Remove this legislation from the budget. The current system works for us. We did not ask for this change and see more risk than reward inherent within it, despite the promises made.

Thank you for your consideration and for your service to the Great State of New York.

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Testimony of Gregory Gorea, Recorder, UFCW District Union Local One, 5911 Airport Road, Oriskany NY 13424 to the Joint Budget Committee, February 1, 2010, Albany New York.

My name is Gregory Gorea and I a union officer with the United Food and Commercial Workers, District Union Local One. I am proud to be speaking on behalf of my 100,000 Brothers and Sisters at UFCW Local's 2D, 342-50, 888 and 1500, along with our Sister Council RWDSU/UFCW in New York City. Joining us is the tens of thousands of Teamsters in Upstate New York and the City of New York.

I speak on their entire behalf, because we are all in agreement, that this wine proposal will have a detrimental effect on good, middle class jobs in New York. I can tell you first hand that this legislation will not create any new jobs inside the hundreds of grocery stores we represent statewide. When Proctor and Gamble, or any manufacturer of a consumer product for that matter, adds a new item to one of our grocery stores across New York State, jobs are not created. If wine is added to grocery stores, no jobs will be added. There has never been a time that we have been called at any of our union halls, that new employees need to be hired because a grocery company is adding a product line.

On top of no new jobs being created, our best UFCW jobs in New York State come from our liquor industry salespeople. UFCW Local 2D represents hundreds of liquor salespeople from Buffalo to New York City. These members receive great middle class wages and benefits. Our brothers and sisters at the Teamsters, earn $70,000.00 plus health and pension benefits hauling wine and liquor across New York State. Grocery stores and big box stores will use their own purchasing and delivery networks to buy and distribute wine into their stores. They will seek the lowest cost process that will certainly eliminate the current good jobs I spoke about.

Why would we want to trade in these above average New York jobs, and replace them with Wal*Mart wages and benefits? How will this *help* our state's struggling economy? Not to mention the added New Yorker's collecting benefits to the all ready overburdened Unemployment Rolls.

Not one grocery store or bog box store will be effected or closed if wine is not added to their product line, but a whole industry of distribution, salespeople and locally owned and operated stores and wineries could be devastated by this job-killing proposal.

We strongly urge you to drop this proposal from the states budget. The one-time shot in the arm this wine proposal may have to this year's budget... I can tell you first hand, will have an adverse, devastating affect for years to come.

Please don't trade our good union jobs and make our members suffer as grocery stores, and non-union, under-compensated big box stores take over another industry in our state. We are fighting this proposal because we want to protect this industry's status as one of New York's few remaining bridges to the middle class.

Thank you.

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L.E.A.D.D.

Good afternoon and thank for the opportunity to discuss this important issue.

Law Enforcement Against Drunk Driving (LEADD) is a statewide organization representing law enforcement in virtually every corner of New York, along with a number of substance abuse organizations dedicated to reducing underage drinking and drunk driving.

A quick visit to the OASAS website makes clear the underage drinking is the No. 1 Substance Abuse Problem facing New York State.

In fact, according to OASAS, New York State spends more than $3.2 billion every year to deal with the problems of underage drinking. That is a staggering number that bears repeating: New York spends $3.2 billion every year dealing with impacts of underage drinking.

Unfortunately, you would never know that given the lack of attention this important issue gets. In fact, in his budget, the Governor proposes eliminating the Advisory Council on Underage Alcohol Consumption. I believe that continues to send the wrong message.

Before I address the issue at hand, let me first congratulate the Legislation once again for adopting Leandra's Law during your special session late last year. That was an important step forward that we hope we can build on this year.

That's why LEADD is strongly opposed to the proposal to legalize wine sales in 19,000 new outlets. We believe this is a step back and will only add to the $3.2 billion underage drinking problem.

LEADD is made up of men and women who live in the real world. We see the impacts of alcohol-related incidents up close and personal: The traffic fatalities and accidents, the domestic violence, the bad decisions made by young people under the influence.

So while others may point to stats, we point to the real world.

Wine is a much more potent drink than beer. The alcohol content in wine is three or more times that of beer.

It makes more sense to sell it along with liquor in small stores that can exercise greater control over sales than putting it in 19,000 new outlets.

And anyone who tells you teens won't drink wine if they can simply has no idea what they are talking about. It's not the real world.

Our opposition also stems from the fact that we also know that the SLA is already overburdened in its efforts to police the 70,000 businesses it licenses. Despite the best efforts of the new chairman, the reality is the SLA is simply not prepared for the job.

That's not my opinion. That was the finding of the Governor's Law Review Commission on the SLA. In its report in September, the Commission said that the SLA "was ill-equipped to make underage drinking a priority."

Why? Because the SLA has just 38 inspectors overseeing the 70,000 licenses. The governor proposes in his budget to add 20 more – a step but a small one at best.

As a result, the burden falls more and more on local law enforcement already strained by more and more work with fewer and fewer men and women.

It does not make sense to add to that burden – for either the SLA or law enforcement -- by putting wine in 19,000 new outlets,

Rather than debating a proposal that will add to the problems we face, we should be discussing new ways to reduce underage drinking and drunk driving.

Proposals like a statewide Social Hosting law and imposing meaningful penalties on those who use their driver's license to buy alcohol for teens are good places to start.

LEADD looks forward to participating in that broader debate as the legislative session continues.

But we urge the Legislature to once again reject the Governor's dangerous plan to legalize the sale of wine in 19,000 new outlets.

I would be happy to take any questions you may have. Thank you.

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Testimony at the Joint Budget Hearing On Economic Development

February 1, 2010

Good afternoon Chairman Farrell, Chairman Kruger, and members of the Committee. My name is Beth Endres and I own Vineyard Wine & Spirits in East Greenbush. Thank you for this opportunity to speak before you today about the Governor's budget proposal to allow the sale of wine in grocery, convenience and drug stores. I adamantly oppose this misguided proposal that will undoubtedly put my independent liquor store, and 1,000 others like it in New York State, out of business.

This proposal would open the door to an additional 19,000 outlets to sell wine. Liquor stores could not possibly survive in an environment where they are competing for wine sales with the big box, grocery, convenience and drug stores. It will put our livelihood in jeopardy, put our stores out of business, and put our employees on the unemployment line.

This is not just my opinion, but is based on studies and reports that have looked at the results of such a proposal. A study by Global Insight predicted that more than 1,000 stores would go out of business and more than 4,700 people would lose their jobs. A recent Cornell University study found that selling wine in these additional outlets would lead to a decrease in wine sales by as much as 32 percent among existing liquor stores. Our stores cannot survive with a 32 percent loss in revenue; revenue that goes into the pockets of the big box stores that are slowly but surely closing down small businesses. How much cheese will I have to sell to make up the 32 percent loss in revenue?

Even the Governor's own Law Revision Commission has **not** come out in favor of selling wine in grocery stores without a full economic assessment of the impacts. The Commission clearly stated that this issue should not be taken lightly, nor should it be driven by the State's budget needs or pressure by grocery, convenience or drug stores. However, this is exactly what Governor Paterson is doing. He is ignoring the fact that this is a dangerous, misguided plan.

The Governor is touting this as a so-called "compromise". This is by no means a compromise for the liquor stores. His statements are misleading the public and the Legislature. Liquor store owners have not agreed to any compromise that includes allowing grocery stores to sell wine.

Last year the Legislature soundly rejected a similar proposal by the Governor. The Governor claims that there are new provisions in this year's budget proposal that are favorable to liquor stores, such as the right to hold multiple licenses, to use a medallion system, to form cooperative purchases, to sell food products and other items, and to sell to bars and restaurants. Let me assure you that none of these new provisions in the

Governor's "fraudulent proposal" have been agreed to by liquor store owners, nor are they feasible options.

Most liquor stores are mom and pop small businesses that don't have the capital to open multiple stores, especially if all of their profits from wine sales are going to the grocery stores. They are small, independent retailers that do not have the cooperative buying power and pricing strategies that the large chain stores have. In addition, liquor stores do not want to sell food items. There is not sufficient storage capacity or existing infrastructure to manage the sale of food items, nor does it fit into a liquor store's business model to compete with grocery stores by selling food items. Liquor store owners would be forced to downsize the products that they are in business to sell to accommodate shelf space for these additional items.

Liquor store owners are particularly concerned with the increased availability of alcohol to underage kids that this expansion in licensing would cause. Installing ATM machines and selling food items invite underage kids into our stores. Liquor stores have very strict controls on selling to anyone under 21, and only those old enough to purchase alcohol would have any reason to be in a liquor store. This proposal would expose kids to alcohol by allowing them to come in our stores to buy a bag of chips.

The Governor believes that his proposal will bring in a greater revenue stream to the State from license fees and a one-time franchise fee. However, the State would actually lose significant tax revenues due to decreased liquor sales. People will not drink more, they will just shift their buying habits from the liquor stores to the grocery stores. In addition, the State will face a loss of tax revenue from the stores that are forced to close, and increased unemployment costs associated with liquor store downsizing and closures.

Our stores are an integral part of every community across the State, in every legislative district, and neighborhood. I, for one, don't think any amount of money is worth putting our stores out of business, our employees out of work, and our youth at risk. I implore you to once again reject the Governor's "fraudulent proposal".

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New York Farm Bureau, Inc. • 159 Wolf Road, P.O. Box 5330 • Albany, New York 12205-0330 • (518) 436-8495 Fax: (518) 431-5656 • www.nyfb.org

February 1, 2010
Testimony of Greg Tones
Clear View Vineyards & New York Farm Bureau
Senate Finance and Assembly Ways & Means Committee

Thank you for the opportunity to speak today regarding a critical issue for my family farm and my own future in the grape business in New York State. I am here speaking on behalf of myself, as a partner in Clear View Vineyards, and also as a New York Farm Bureau member in Yates County. Clear View Vineyards is a grape farm located on the shores of Keuka Lake, in the heart of the Finger Lakes wine country. My Uncle and I farm over 200 acres of vineyards, and we grow both juice and wine grapes. We sell not only to Welch's for our juice grapes and Constellation for our wine grapes, we also sell to local wineries from the Finger Lakes to Long Island.

As a grape grower, and a younger individual involved in food and farming, I can tell you that it is absolutely critical to support Governor Paterson's proposal to allow the sale of wine in grocery stores. The simple fact of the matter is that the number of outlets, or liquor stores, has decreased over time, while the number of wineries in New York State has grown tremendously.

The fact that the growth trend for wineries is increasing, while the growth trend for liquor stores is decreasing matters a great deal to my business, and my future in New York. While other states with substantial grape farms have led the way for their farmers to grow even more, by allowing the sale of wine in grocery stores, New York has yet to do so. In fact, New York State has been willing to make many small changes to the law to allow farm wineries to innovate, which we appreciate, but has yet to take the initiative to move the bar farther, by leading the way and eliminating the monopoly liquor stores currently have over wine sales.

However, from a grower's perspective, a look at the grape statistics is telling. While New York consistently ranks in the top 4 or 5 of highest grape producing states; the reality is that we are being outpaced rapidly by states that support their family grape farmers by liberalizing sales – at the winery, at the liquor store, and at the grocery store. Both Washington and Oregon have significantly increased their production of wine grapes. In 2004, Oregon had 193 wineries and produced 18,620 tons of wine grapes. In 2008 Oregon had a remarkable increase in wineries – to 329 and almost doubled their production of wine grapes to 40,600 tons. That is a lot of grapes. Washington is also instructive, with 300 wineries in 2004 and 107,000 tons of wine grapes produced. In 2008 the number of wineries more than doubled, to 650 wineries and 145,000 tons of wine grapes.

The rhetoric around this issue is overheated and ridiculous. It's preposterous to think that all liquor stores on Main Street will disappear, especially when there are 570 towns in New York State with main streets but no liquor stores. That's 570 towns full of people who cannot purchase New York State wine made with my grapes. It's preposterous to think that my family farm won't expand, or that my neighbors – who make great New York State wine – can't thrive in an environment where sales of wine are expanded to include grocery stores. In fact, when I walk into the average grocery store I can find more local product than I can in many area liquor stores.

The proof that everyone can survive in an environment that includes the sale of wine in grocery stores can be found simply in other states. While the growth of wineries and grape farms has exploded in both Washington and Oregon, the number of liquor stores has remained consistent largely because both states are control states. However, the fact that both states allow the sale of wine in grocery stores and are able to generate a substantial "profit" to their respective states from their liquor stores indicates that all parties involved in the sale of wine and liquor can adapt and in fact grow in a new system. Customers clearly are purchasing wine and liquor from the liquor stores, while also purchasing wine from grocery stores, and the grape industry is vibrant, healthy, and sustainable.

This growth is something that I would like to see happen in New York State. As a younger farmer, I want to stay in a state that will encourage me to develop and grow my business. There is still viable agricultural land in the Finger Lakes that is simply fallow, or underdeveloped, and would make excellent vineyards. I want to grow my family's farm business, and I want to do so in a state that doesn't buy into over-hyped rhetoric but instead gives family farms the opportunity to grow.

Please help my farm, by supporting Governor Paterson's Executive Budget proposal to allow the sale of wine in grocery stores. Thank you for your time and attention.

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NY Wine Industry Association

... for the advancement of the industry

New York State Budget Hearings
Joint Committees: Senate Finance and Assembly Ways and Means Budget Committee
Economic Development

Testimony for the Record
Submitted
February 1, 2010

~~**Scott Osborn**~~ Jennifer Carlson
President of the New York Wine Industry Association
President Fox Run Vineyards

Good afternoon. Thank you for providing me with the opportunity to testify before you. As a small businessman, winery owner and current President of the New York Wine Industry Association (NYWIA), I am here to ask that the legislature support and pass the Governor's Article VI proposal, "Wine Industry and Liquor Store Revitalization Act." It will literally save the NY wine industry. It's that simple. It will open markets and allow opportunity for increased shelf space that will result in increased market share which will result in job growth and revenue for state and local governments.

It is important that the decision makers of this State understand what the consequences will be if they choose to ignore the needs of the wineries, grape growers, and all of the supplier companies associated with the wine industry in New York State because, the New York Wine Industry cannot survive and grow under the current market conditions of this state.

I offer a brief explanation of the stifled market growth that has inhibited the NYS wine industry from meeting its potential, and will be the reason for its demise. It is an economic argument. Small wineries account for the greatest percentage of NY wineries. Capital constraints inhibit their ability to market their wines to geographically distant areas limiting their exposure to new markets. Due to small production most of the New York State wineries are denied representation by distributors which is the most efficient way under the current system to market wines. With only 2700 stores spread across the state and very limited ability to get into those stores on their own, coupled with an apathetic attitude of most liquor store owners in promoting lesser known NY wines, the NY wine industry has seen slower growth than wine industries in other states. Without the ability to sell product out of their own tasting room most New York wineries would not survive at all.

We find it ironic that stores that have done so little to work with our industry and who have had a state sponsored monopoly for years, are now crying about being the last small business left on Main Street. What about the small winery business? What about the small independent grocer? We're located on a Main Street that runs right along the tourism economy in the heart of wine country.

Why shouldn't we have the right to expand sales opportunities and thus our business in order to survive?

It is imperative for the Legislature to understand the broad economic impact of the NY Wine Industry on this state and what it will mean if the decision makers fail to act and support the Governor's proposal. It goes beyond wineries.

A 2009 Cornell study said the NY wine industry will increase by 40% if wine can also be sold in stores that currently sell beer. An increase of 40% will add a minimum of 1,000 high paying jobs just to wineries in rural NY. Growers will add employees to work in the vineyard adding another 1,000 jobs. In Geneva, Vance Metal Fabricators will hire 20 to 40 new employees to make wine tanks adding a minimum of $800,000 a year to their payroll. These are union manufacturing jobs and these people buy cars, houses, groceries, and more. Waterloo Container projects would add almost $250,000 to their payroll and are currently in discussions with a glass bottle manufacturer who has stated they will build a $120 million glass bottle manufacturing plant in upstate New York if wine goes into grocery stores. The impact to the New York State upstate economy is huge. How many jobs do you think will be created initially? 6,000? 7,000?

As a micro example: My wines are currently in 18% of liquor stores. If I was able to get into 18% of the food store outlets in this state, I have calculated that I will need to triple my business.

For those wineries that are at the point where the production has reached a level that is acceptable to the distributors, we compete against each other for shelf space. I refer to it as "cannibalizing our own." For example, when I bring a new wine into a liquor store and they like it, they take a different NY wine off the shelf and replace it with mine. Obviously we cannot grow our shelf space in New York.

There are almost 600 municipalities in this state that do not have a liquor or wine store. What they do have is a small independent grocer. Why should these small grocers be denied sales? Why should consumers in these communities be denied the opportunity to buy a bottle of wine? Those are lost sales that could easily be claimed by the convenience of being able to a buy bottle of wine when they are buying food for their dinner.

We are tired of the insulting remarks of the liquor stores claiming to represent the industry in Albany such as "NY wines are really not good enough, that's why consumers don't want them" or "NY wineries don't know how to market their product." It is a blatant lie when NY wines have taken more than 8,000 medals in international competitions since 1998. That is just more rhetoric to protect their store monopoly and continue on easily making money hand or fist by selling Yellowtail and other mass produced wines from outside of NY

The example I use to illustrate the work NY wineries put forth in promoting the wine industry is my own. I have tried not only to grow my own winery business in the state of New York, but also to participate in growing the industry, the economy, and contributing to the quality of life in my community. I am an active participant and president of the New York Wine Industry Association. I am active in the Seneca Lake Winery Association, the Finger Lakes Wine Alliance, the Geneva Area Chamber of Commerce, New York Farm Bureau, and the Yates County Farm Bureau all of whom work to market NYS wines. I am proud of the recognition my business has received from the business community including, the "Business of the Year" award from the Geneva Chamber of

Commerce. I am particularly proud of the important part my vineyard and winery plays in protecting our environment, as a recipient of the Lake Friendly Farm designation.

I have worked very hard to expand my distribution in liquor stores over the past two decades and I produce award winning, high quality wine. My winery, Fox Run, was ranked in the top 100 wineries in the entire world by Wine and Spirits magazine recently, a tremendous honor for me, my family, and my hard working and dedicated employees. My wines regularly win wine competitions nationally, and we won three gold medals at the International Riesling competition in France - in 1997, 2007 and 2008. Twice we were the only American winery to win a gold medal.

Fox Run is not the only New York winery that has received awards and accolades nationally and internationally. We deserve to have our product on the shelves in front of people to see and to buy. It is that simple. There are a few of us that have managed to get our wines into grocery stores in other states. We compete and thrive in that environment. In fact, one NY wine is the number one requested wine on the East Coast...outside of New York State. It defies logic that we would not be equally successful in our own state given the opportunity.

It is imperative for the Legislature to understand the broad economic impact of the NY Wine Industry on this state and what it will mean if the decision makers fail to act and support the Governor's proposal. It goes beyond wineries.

The stakeholders in our industry include wine grape growers, supplier companies, tourism-based businesses, educational and vocational institutions. Examples include: wine label designers, printers, bottle distributors, tank fabricators, agricultural equipment distributors, hotels, restaurants, retail shops, real estate rentals, and programs at Cornell.

We point out these small businesses for two reasons. First, they make up part of our membership and most importantly so that you understand that the wine industry is not just about wineries and second, when we fail, and we will if you don't open the market for us, they will fail too. Wine grape growers have already dumped half of their 2009 harvest on the ground because wineries are not buying grapes because their wine tanks are full. The bottlers are not selling more bottles because the wineries can't sell what is currently bottled. The same goes for the wine label printers, tank manufactures and so on. The wineries keep central New York, the Hudson Valley and the Long Island Forks on the map. Tourism flourishes because people come to see the wineries. When the wineries fail the tourists don't come. When the tourists don't come, the businesses supported by them close up; the restaurants, hotels, the little shops.

This illustrates a very important point. The liquor store is not the last store on Mainstreet. However if the legislature fails to act and pass the "Wine Industry and Liquor Store Revitalization Act," they may very well end up that way because they brought it on themselves by killing the whole economy around them that supported them.

I will mention the underage drinking question briefly only because the liquor industry is using the issue as a red herring. In some cases I have seen in articles and press releases claiming that allowing the sale of wine in food stores will give youth more places to buy alcohol. Simply untrue. Food stores already sell beer. The number of places in this State that sell alcohol will be exactly the same.

Issues with underage drinking will not be exacerbated by the presence of wine in food stores. However we will all have to continue to work towards improving our message to youth and enforcing the existing laws to control its abuse. I will point to a study and program done by The Century Council, a non-profit funded by the distilled spirits industry. According to a nationwide study the pervasive behavior of underage drinking is rooted not in the ability for youth to buy alcohol in retail locations but in the availability of alcohol at home.

The Century Council has a program designed to raise awareness of the fact that 65% of teens get their alcohol from family or friends. We encourage such programs and are committed to doing our part to work towards lowering the incidences in underage drinking.

That being said, the New York wine industry should not be denied more markets due to false representation of facts by the liquor industry in order to control their monopoly.

In closing, the New York Wine Industry Association is asking the New York State Legislature to not turn a blind eye to our industry. We ask that you investigate the facts put forth by the liquor store industry and hold them accountable to their claims. We ask that you look at the supported information that the wine industry has brought to your attention. We ask that you acknowledge the level of importance that the wine industry plays in the overall economic health of New York State Lastly and probably most importantly we want you to understand that your inaction on this critically important proposal will be devastating to the wine industry and we will continue down a path that will destroy family farms and rural New York State small businesses.

NYWIA supports the Governor's "Wine Industry and Liquor Store revitalization Act" and supports the Legislature in their anticipated action to pass it as part of the 2011 Budget.

Written only submitted w/ panel 16

Bob DeMeo's Discount Wine & Liquor
501 Campbell Avenue, Troy, NY 12180

AN OPEN LETTER TO THE STATE ASSEMBLY AND SENATE FROM A LIQUOR STORE OWNER ABOUT THE NYS BUDGET AND WINE IN GROCERY STORES

February 1, 2010

Dear Assembly Members and Senators:

As a small business owner, I unfortunately could not leave my shop to be with you today at your budget hearing. However, I am happy to share some thoughts with you about the State's new proposal to allow the sale of wine in grocery stores.

As a wine and liquor store owner for nearly 30 years, I am well aware of how challenging it is for mom and pop liquor stores to operate and grow our businesses in New York State. New York's outdated liquor laws have offered us nothing but hurdles, so when the Governor proposed last year to let food stores sell wine we were concerned. There were no concessions or protections for us – no give backs in return for allowing other stores to sell wine – so it just didn't make sense.

But now, with New York needing billions of dollars to close its deficit and the sale of wine licenses expected to raise hundreds of millions of dollars, it's really no surprise that wine in grocery stores is back. But guess what? This time it's different. This time someone in Albany finally listened.

Earlier this year, rather than stick our heads in the sand and continue to pretend that the liquor store industry doesn't need any help, some of us reached out to Albany and said, "Fix the plan to make it work for our industry, too. If you are going to expand the sale of wine, then fix our liquor laws at the same time and at least give us a chance to compete on a level playing field."

The Governor's budget is similar to a bill in the state Assembly and Senate that we helped work on and which does just that. In return for allowing wine sales in food stores, both the bill and the budget would ease many of the restrictions facing our businesses. These include improvements such as allowing retail-to-retail sales that would let us sell to bars and restaurants; giving us the option of selling mixers, food and many other complementary products; allowing for the purchase of mixed cases of wine or liquor that include different products or bottle sizes from the same manufacturer; offering mom and pop stores like mine the right to buy cooperatively to counter the consolidation on the supplier side and allow us to compete with new, "big box" liquor stores popping up all over; and granting current liquor store owners a second license – a medallion, essentially – that would become an asset we can sell if we like. These are real, substantive changes that go way beyond what some people have characterized as nothing more than the ability to "sell chips."

I recently took part in a roundtable discussion with legislators to discuss this idea, and I made it clear that there are many store owners who support sensible changes like these that can enhance our bottom lines (in fact, I've heard from dozens of fellow store owners who agree with me, but not surprisingly, many of them are too intimidated to speak out). As you might imagine, this didn't make me popular with the liquor lobbyists at the same meeting who swore that they would remain opposed, regardless of any positive changes this might include for our businesses. In fact, they even tried to argue – with a straight face, no less – that our industry was fine as-is and didn't need any changes at all.

The time for keeping quiet and hoping for the best is over. These are very real, very serious conversations you are having and it's time for our industry to recognize that we need to be at the table helping to write the policies that will help us to grow and thrive. Change is coming, and I for one want to be part of making it work for my business. The budget proposal before you today is a good start.

Bob DeMeo

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

At the Joint Legislative Budget Hearing Regarding Economic Development

February 1, 2010
9:30 am

I am Jan Marie Chesterton, Vice President of the New York State Hospitality & Tourism Association and a representative of the Tourism Industry Coalition of New York State. I would like to start by thanking Senator Kruger and Assemblyman Farrell for the opportunity to comment on the Economic Development Budget items included in the 2010-2011 Executive Budget proposal, specifically tourism marketing, commonly known as the I♥NY and Tourism Matching Grant programs.

BACKGROUND

The New York State Hospitality & Tourism Association (NYSH&TA) is the oldest lodging Association in the country—founded in Saratoga Springs in 1887. We have nearly 1,400 member businesses and individuals in the lodging and attractions industry, and we currently represent 70% of the total lodging room inventory in the State.

The Tourism Industry Coalition represents 18 private-sector industry organizations with tourism as its core product. Its members include:

- Bus Association of NYS
- Campground Owners of NY
- Cooperstown/Otsego County Tourism
- Dutchess County Tourism
- Finger Lakes Tourism Alliance
- Hotel Association of New York City
- Long Island CVB & Sports Commission

- Museum Association of New York
- NYC & Company
- NYS Association of CVBs
- NYS Tourism Promotion Agencies Council
- New York Power Authority
- New York State Hospitality & Tourism Association
- New York State Restaurant Association
- New York State Travel & Vacation Association
- New York Wine & Grape Foundation
- Oneida County CVB
- Ski Areas of New York

NYSH&TA commends the Governor for his proposal of a budget that limits spending and addresses the deficit facing our State.

The tourism industry is nearly unparalleled in its ability to turn investment into revenue. The immediate impact of investment in the tourism industry is something few other industries can offer. Studies have shown that investment in tourism marketing has a return rate of seven to one. Simply put, **the State receives $7 for every $1 it spends on tourism marketing.**

The businesses that make up the tourism industry understand what it takes to balance a budget. The tourism industry has also been affected by the downturn in the economy and owners and operators have had to make tough decisions that could make or break their businesses. It is these decisions that will decide if a business makes it through these times, or closes their doors. While a reduction in overall state spending is imperative, it is also necessary to make investments that will return revenue. The tourism industry is that investment.

I am here, on behalf of the industry, to urge the Legislature, to maintain the current funding level - $14.2 million - for State tourism marketing rather than accept the Governor's allocation of $10.6 million for the I♥NY program and the Tourism Matching Grant program, combined. Given its proven track record as a revenue source for State and local coffers, tourism is not only a wise investment, but a critical one that yields unmatched and well sustained returns for the State's economy.

RETURN ON INVESTMENT

The tourism industry keeps metrics of its performance each year, and these statistics prove the industry's benefit to the State and its localities.

According to recent statistics from Tourism Economics - an Oxford Economic Company - tourism is a vital component of the New York State economy.

- In 2008, visitors spent $53 billion into the local economy, a spending increase of 4% since 2007
- 684,000 jobs were sustained by visitors to New York State last year with a total associated income of $27 billion
- 6.2% of all jobs in the State are sustained by tourism
- **Tourism in New York State generated $7 billion in State and local taxes**

Tourism exists in each corner of the State and benefits these localities in the form of sales taxes, hotel occupancy taxes, and spending in local economies. Industry studies find that **investing in tourism leads to an immediate increase in economic activity in all regions of the state.**

TOURISM CREATES JOBS

Tourism not only provides billions of dollars in tax revenue, but it also creates jobs at a significant rate. Studies have shown that, in the last 20 years, tourism jobs have increased by over 22%, compared to an increase of less than 6% for the rest of private sector employment. Investing in tourism provides jobs in communities all over the State where other industries are laying off workers, straining families, and leaning on public assistance. The State has many programs that are aimed at creating jobs. Tourism does just that.

Regions around the State rely on the employment tourism provides. Tourism is an employer of between 6% and 17% of the people in each region of the State, demonstrating its integral place in the economy of each region of the State.

MARKETING TOURISM IS A GOOD INVESTMENT

The State of New York has a lot to offer the leisure traveler, however, it is up to us to ensure that the leisure traveler is made aware of this. **Packaging information, advertising and promoting transportation, accommodations, entertainment, shopping, natural scenery, and special events is critical to creating awareness and demand for our destinations.** Tourism marketing programs in particular are the investment that results in visitor spending, which, in turn, results in tax revenues.

Tourism is ultimately a consumer product and people need information about the vast array of travel options available in New York State, especially in this economic downturn. People are still traveling; they are just traveling shorter distances. The millions of people in the Northeast should know of the skiing provided in the winter and the camping and lakes available in the summer. The almost infinite number of travel destinations, from wineries to amusement parks, are all within a few hours drive from millions of people. It takes advertising and marketing investment to ensure that people know of the many and varied destinations right here in New York.

Any reduction to the state's tourism marketing budget this year would place us at a competitive disadvantage as we compete with neighboring states for the travelers' top-of-mind awareness. Pennsylvania has out-spent and out-performed our tourism funding for years and any further cut would handicap our tourism marketing to a point where the level of success we've enjoyed previously might be lost.

Funding tourism should not be viewed as an expense, but as an investment. The investment provided to a tourism marketing program may, for example, assist a hotel in its marketing efforts. Any benefit provided to a hotel would be felt by the entire community as patrons eat in restaurants, spend in shops, and visit destinations. In each of these instances, the state and local taxes are providing return on that investment. Tourism contributes to every sector of the economy in each region of the State. The chart provided in our written testimony demonstrates the global impact tourism has on the economies of every part of the State.

Tourism Economic Impact	Direct Sales '000s	Labor Income '000s	Employment Persons	Local Taxes '000s	State Taxes '000s
1. Chautauqua-Allegheny	$ 510,676	$ 238,137	11,100	$ 32,654	$ 31,806
2. Greater Niagara	$ 2,118,638	$ 1,081,253	45,275	$ 135,266	$ 131,953
3. Finger Lakes	$ 2,671,391	$ 1,359,905	57,083	$ 180,187	$ 166,380
4. Thousand Islands	$ 433,056	$ 190,892	8,280	$ 27,579	$ 26,972
5. Adirondacks	$ 1,194,114	$ 563,091	20,015	$ 77,509	$ 74,372
6. Central Leatherstocking	$ 1,760,230	$ 877,054	31,983	$ 108,979	$ 109,631
7. Capital-Saratoga	$ 1,679,103	$ 863,060	32,842	$ 107,974	$ 104,578
8. Catskills	$ 1,027,978	$ 470,558	17,411	$ 63,533	$ 64,025
9. Hudson Valley	$ 3,089,709	$ 1,592,902	49,760	$ 193,228	$ 192,434
10. Long Island	$ 5,136,334	$ 2,622,943	71,327	$ 312,476	$ 319,902
11. New York City	$ 33,485,671	$ 17,405,000	335,392	$ 2,442,195	$ 2,085,560
TOTAL	$ 53,106,900	$ 27,264,795	680,466	$ 3,681,581	$ 3,307,612

BUILDING UPON THE TOURISM INDUSTRY

With a budget deficit reaching $9 billion, the State is in need of revenue generators. Investment in tourism marketing not only complements and leverages the professional marketers in the I♥NY program, but provides jobs and economic benefits to businesses and municipalities that can help the State close its deficit. With a deficit of the magnitude currently facing the State, and an industry that can be relied upon to produce revenue, additional funding to tourism can be the cornerstone of a revenue increasing budget. As indicated earlier, in 2008, tourism provided **$7 billion in tax revenue** through State and local taxes.

While a request to keep tourism funding at the same level—$14.2 million—may be questionable at best, it comes as a request for investment with an accurate and proven track record of return on that investment. The tourism industry will continue to work hand in hand with the Governor and the Legislature to strengthen the economy of our great State.

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

Thank You.

Testimony to the
Joint Legislative Committees
At the
Economic Development Hearing
On the 2010-2011 Budget

February 1, 2010

Presented by:

Hilary Lamishaw

Director

NeighborWorks® Alliance of NYS

NeighborWorks®
ALLIANCE OF NEW YORK STATE

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Good afternoon. My name is Hilary Lamishaw and I am the Director of the NeighborWorks® Alliance of New York State. We are a member of the NYS Coalition of Community Development Financial Institutions (CDFIs). I appreciate the opportunity to speak here today about CDFIs and their role in the economic well-being of communities throughout New York State.

I represent twenty-two NeighborWorks® organizations – locally-controlled not-for-profit community development organizations -- throughout NYS from Long Island to Niagara Falls to the Canadian border, including urban, suburban and rural groups. We are part of NeighborWorks® America's national network of 240 not-for-profit organizations that are revitalizing their communities through public/private/resident partnerships. NeighborWorks® organizations in NYS rely on private and public funding that enable us to administer and provide key programs and services that have been determined by their boards of directors to meet their local housing and communities needs.

Housing As An Economic Stimulus. One of the strategies used by NeighborWorks® organizations (NWOs) to revitalize their communities is through increasing responsible homeownership opportunities. This is typically accomplished through a model known as Full-Cycle® lending; that is, helping the customer from the very early stages of one's interest in buying a home and offering assistance throughout her lifetime to ensure her long-term success. Services include pre- and post-purchase education, rehab and inspection services, downpayment and closing cost assistance, and rehab and home improvement lending.

For decades, some NWOs have helped fill the financing gap facing lower income first-time homebuyers and homeowners. Through community-based, locally-controlled revolving loan funds, NWOs provide secondary mortgages to assist with downpayment and closing costs or home improvement loans to help homeowners increase the health, safety and energy efficiency of their homes. Home improvement and rehab loans often go hand in hand with homebuying since much of the product available to lower-income families are older homes (typically built before 1950) that are in need of significant improvements. Conventional lending sources have not historically made these kinds of loans to this population, which is, of course, an understatement in today's world. So for years NWOs have filled the credit gap offering generally small loans at affordable interest rates. By coupling this with the required housing and financial counseling offered by NWOs, the default rates have been kept low, typically under 2%.

Housing is clearly an economic engine in local communities. Through increasing homeownership rates, which leverages private first- mortgage loans and related real estate services, to increased consumer spending as homeowners purchase new appliances, furniture and other items, to housing rehab and home improvement purchases of materials, contractors, and related goods, housing drives local economies. For example, the

Troy Rehabilitation and Improvement Program calculated that its 45 new homebuyers in 2008 (with a typical mortgage of $125,346) leveraged $5,640,585 in first mortgages, $348,902 in real estate commissions, $29,895 in bank fees generated, $290,750 in other settlement charges generated, and $279,000 in average first year spending. Sales alone, without analyzing the home improvement and rehab work done, created two new jobs locally.

Ken Wade, CEO of NeighborWorks America, has testified that for every dollar spent on quality, affordable housing, $35 are returned in the form of job creation, increased independence and tax contributions, new businesses, and access to higher education.

Community Development Financial Institutions. 110 organizations including nine NeighborWorks organizations in NYS are certified by the U.S. Department of Treasury as CDFIs or Community Development Financial Institutions. CDFIs are mission-driven local financial institutions that meet the credit needs of underserved people and communities and make a huge difference by filling the gap where conventional institutions are unwilling or unable to lend. CDFIs specialize in making the types of loans that banks cannot or will not make, either because they do not have a presence in low-income communities or because borrowers do not conform to conventional underwriting criteria and the loans are considered too small or too "risky." CDFI activities create jobs across the lending sectors-small business, housing development and facilities creation or expansion. These are income generating programs for the State-with the investments paying for themselves many times over. CDFIs include community, community loan funds, venture capital funds, housing groups, community banks, and community development credit unions (CDCUs). NeighborWorks organizations that are CDFIs engage in housing and community facilities lending, including first-time homebuyer programs, home improvement lending, affordable housing development and mixed use development (for which there is virtually no government program assistance). While CDFIs always served an important role by meeting the credit gap of lower-income people and communities, they are critically important these days because of the virtual vice grip on credit that resulted from Wall Street's meltdown. For instance, ***Ithaca Neighborhood Housing Services*** has been lending since 1978 for home improvement and home purchase. And business has grown every year. In 2009, Ithaca NHS closed 136 loans totaling $1,385,357 which leveraged $7.2 million in other loans, primarily from conventional lenders for home purchases. They expect even greater demand in 2010, especially for energy improvement and home purchase loans. ***NeighborWorks® Rochester*** lent $2.36M in housing rehab since 2005. Last year alone they lent $707,504 which enabled them to leverage an additional $236,974 in grant funds which they blended with their loans to lower the cost of borrowing money for income eligible households. Demand is up significantly in Rochester and is only thwarted by the difficulty in capitalizing their loan fund. Last year ***Home***

HeadQuarters in Syracuse made more home improvement loans that all the area banks combined: 330 loans totaling $3.7M, resulting in the rehabilitation of 350 units. This was in addition to serving 700 families through their Small Homeownership Assistance Rehabilitation Program (SHARP) which provided small grants of up to $1000 for small home repairs. Home HeadQuarters runs a variety of other programs, such as matching energy grants from NYSERDA with loans whose interest rates have been bought down to under 4%. Due to the freeze in the market for lower-income families to purchase, Home HeadQuarters will start doing first mortgage lending this year.

Capitalization Needs. So, you're probably asking where does the capital come from for these loan funds? That is the multi-million dollar question, which is getting harder every day as a result of the economic crash. Grants from NeighborWorks America and federal programs like the Community Development Block Grant (CDBG) program and HOME have helped, although they are very competitive and quite oversubscribed. Another source has been the federal CDFI Program, which was created in 1994 and significantly expanded under Obama because of the administration's understanding of CDFIs' role as local economic stimulators. In the last round of the federal CDFI Program, a record number of applications was received with requests increasing 97% over the previous round. The amount of money requested was about four times the available amount. This despite the challenge faced by applicants in meeting the required 1:1 match of non-federal dollars for every CDFI dollar received.

Other sources include foundation PRIs and lines of credit from banks. But banks are very risk averse and CRA investments are not being required as they once were. Consequently, if banks provide capital at all they are charging for it, meaning that the cost of capital is increasing. CDFIs need to markup their interest rates to get the spread needed to pay them back. The bottom line is that the higher the cost of capital, the less likely that those who need it most can afford to borrow it, even from CDFIs whose mission it is to help them.

So it is getting harder to capitalize these funds at a time when the need is greater than ever. This year, Ithaca NHS applied for $2 million CDFI, $1 million foundation PRI, $800k bank LOC and other assorted grants. But the programs are all oversubscribed and meeting match requirements are ever more difficult.

One possible source of capital is the new federal Capital Magnet Fund. This was recently created by Congress to fund specifically affordable housing development and assistance. It is expected to be funded at $80 million nationally with a Request for Proposals to be released in March under which CDFIs and others can compete for awards. The catch: again, a requirement of a one to one match from non-federal sources. And meeting the federal match requirement grows more difficult with the drying up of private capital.

The State does not provide any sources for housing lending that could qualify as a match for federal dollars. Yet. But the ground was laid by the creation of the NYS CDFI Fund under Article 186 of the Laws of 2007 which mirrors the federal CDFI fund. Unfortunately, no appropriation accompanied the legislation nor has been made since then.

Recommendation: We urge the New York State Legislature to fund the NYS CDFI Fund this year. We suggest that $15M of the Governor's proposed $25M for small business revolving loan funds be appropriated to the State CDFI Fund which will allow for a broader range of lending needs to be met. Supporting local housing lending will help stimulate local economies through jobs (contractors, builders, lenders), purchases (building supplies, new appliances, etc.), and adding to localities' tax rolls. It will also enable CDFIs to meet the match requirement of the federal programs, thereby accessing $1 of federal funding for every $1 invested by the State.

Furthermore, providing low-cost capital through the State's CDFI fund as grants will enable CDFIs to lend at lower interest rates thereby assisting those most in need. The increasing cost of capital is threatening the ability of CDFIs to meet the needs of low income people and communities, and a State CDFI fund would make the difference.

Lastly, the U.S. Treasury Department estimates that each dollar invested in CDFIs leverages $20 in private capital investment. Based on these figures, an initial investment of $15 million for the New York State CDFI Fund would bring $300 million in private capital in low-income communities in New York State. We think that a great rate of return.

For your information, I have attached some information about CDFIs prepared by the NYS Coalition of CDFIs. Thank you for your time today.

What is a CDFI?

CDFIs are financial institutions with a special mission of serving underserved communities and people of modest means. They provide a range of affordable financial services and loans to consumers, homeowners, small and micro businesses, and to community organizations financing affordable housing and community facilities. CDFIs specialize in making the types of loans that banks cannot or will not make, either because they do not have a presence in low-income communities or because borrowers do not conform to conventional underwriting criteria and the loans are considered too small or too "risky." CDFI activities create jobs across the lending sectors-small business, housing development and facilities creation or expansion. These are income generating programs for the State-with the investments paying for themselves many times over. CDFIs include community, community loan funds, venture capital funds, housing groups, community banks, and community development credit unions (CDCUs).

CDFIs help low-income individuals build assets, manage debt, and obtain financing to become productive stakeholders in the economy. They serve the people most often neglected by mainstream financial institutions; 70% of CDFI clients are low-income, 76% are minorities, and 58% are women.

CDFIs are mission-driven lenders that fight predatory lending by providing consumer education and affordable financing. They assist individual borrowers in getting out of over-indebtedness, mounting loan principal, and accumulated interest that generally exceed what they can afford. Among the CDFIs that specialize in personal and consumer lending, often the greatest need for loans is to consolidate high-cost debt into lower, fixed-rate loans with realistic repayment options.

CDFIs offer alternative economic development strategies that strengthen low-income and working poor families through asset building initiatives, such as financing affordable housing, community facilities and non-profit enterprises that generate economic opportunity in low-income areas. They invest in building healthy communities by providing affordable loans and secure deposits to small businesses, micro-enterprises, and first-time homebuyers.

NYS Coalition of CDFIs

Following the establishment of the Federal CDFI Fund in 1994 community development organizations from every corner of the state created the New York State Coalition of CDFIs to support the expansion of its local network of community-based lenders to provide affordable loans and increase economic opportunity in New York's low-income and underserved communities. The mission of the Coalition is to raise permanent capital to expand the capacity of CDFIs to meet the increasing need for flexible and affordable financing in New York State.

There are approximately 700 federally-certified CDFIs in the United States, and more than 110 of them are located in New York State, serving approximately 100,000 consumers and their families. As of year-end 2008, New York CDFIs had provided more than $1.9 billion in financing to residents of low- and moderate-income communities across the state (See appendix A).

New York State CDFI Fund

For nearly 10 years ESDC has been working with CDFIs through the operation of a program specifically for lending to women- and minority-owned businesses (WMB). As important as the WMB program is, its use has been restricted to business lending and has not adequately addressed issues of foreclosure, spiraling debt, and high-cost financial services. This is an important program that has encouraged creative lending to women and minorities but it needs to be supplemented.

In 2006, the Coalition scored a major breakthrough by bringing together representatives from the New York State Senate, the State Banking Department, and Empire State Development Corporation (ESDC) to craft a workable framework for a State CDFI program. The legislation was modeled after the federal CDFI Fund and provides for the creation of a CDFI program administered by ESDC, which covers the full-range of activities that CDFIs engage in. These can include vital programs such as financial literacy education, homeownership counseling, and individual development accounts. On July 3, 2007, the Governor signed the bills as Chapter 186 of the laws of 2007 and created the state CDFI Program; but appropriations require separate action.

Understanding that there are always budgetary constraints, I strongly urge your support for an appropriation of **$15 million** for the New York State CDFI Fund, utilizing a portion of the $25 Million revolving loan fund for business proposed by the Governor for this year. This will insure that CDFIs can do what they do best-generate economic activity where it is most needed.

Impact of CDFI Investments

The U.S. Treasury Department estimates that each dollar invested in CDFIs leverages $20 in private capital investment. Based on these figures, an initial investment of $15 million for the New York State CDFI Fund would bring $300 million in private capital in low-income communities in New York State.

There are few programs that come close to this type of impact in low-income communities, and this is an important opportunity for New York State to combine asset-building strategies with the more common large-scale economic development programs This fund will allow CDFIs to greatly expand the scale and impact of their products and services will serve as a national model for community development.

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

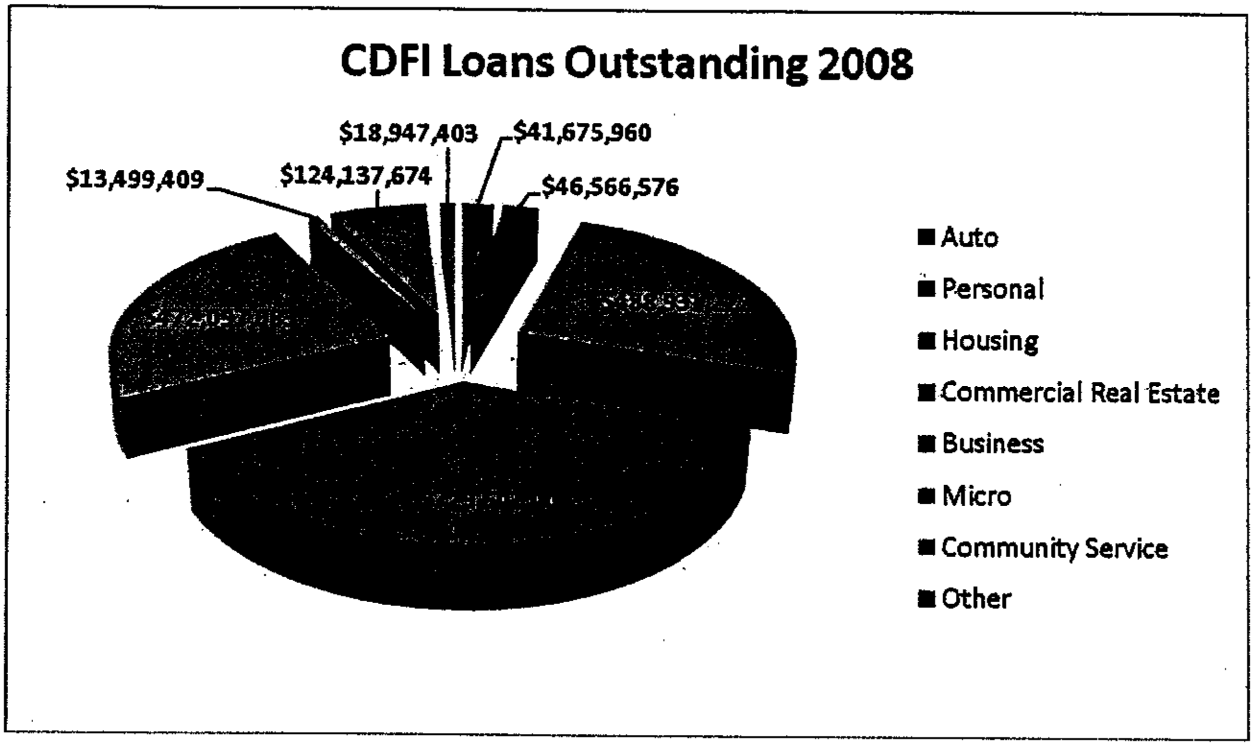
In addition, implementation of a NYS CDFI Fund would complement the federal CDFI program by providing a required non-federal match. By providing CDFIs in New York with the non-federal match we will to attract greater investment in New York by the federal CDFI Fund. This quarter the Capital Magnet Fund will afford New York CDFIs an opportunity to apply for federal grants for affordable housing projects. The program will require a dollar for dollar match.

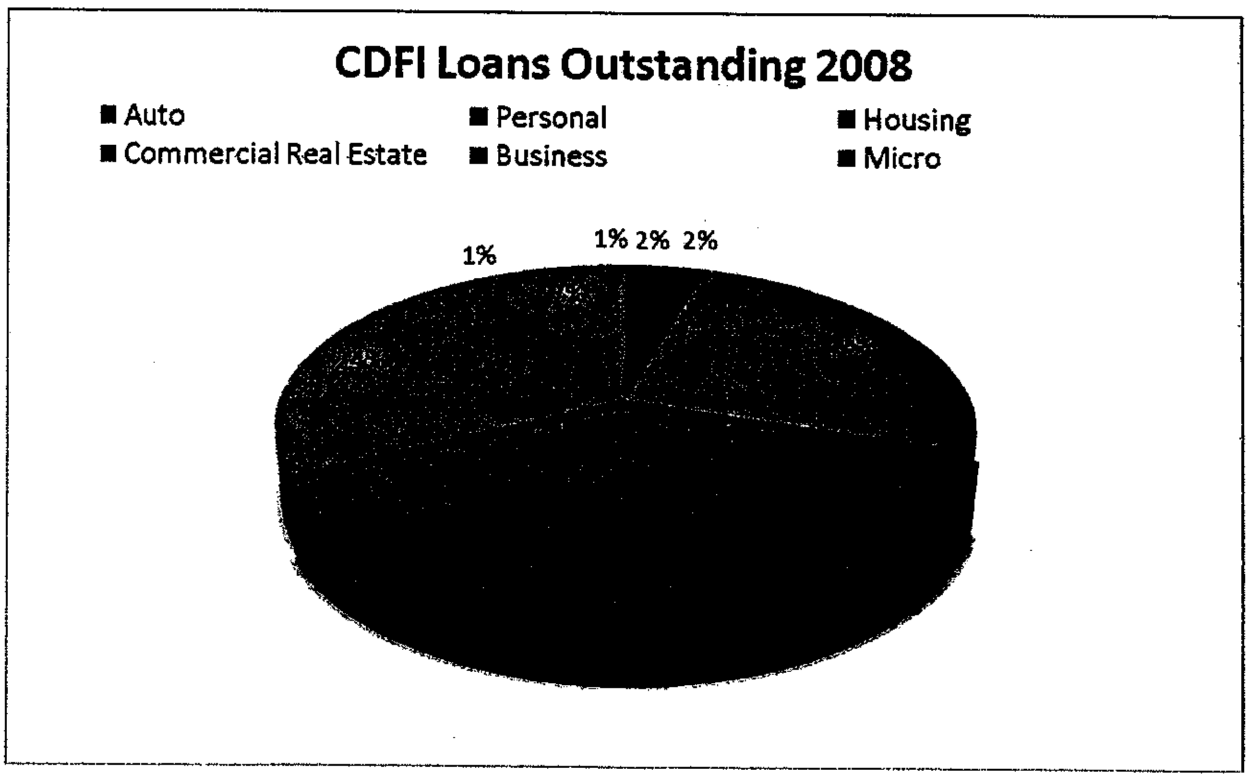
For additional information about the NY Coalition of CDFIs, you can contact Melanie Stern, Coalition Coordinator at: mstern@cdcu.coop or (212) 809-1850

New York Coalition of
Community Development Financial Institutions
A Project of the National Federation of Community Development Credit Unions

Federation

CDFI Loans Outstanding 2008- $1,935,457,327





Additional Impact Data

CDFI Loan Funds	FY 2008
Microloans	[illegible]
Community Service Facilities	278
# of Homes or Housing units assisted (new units & units renovated)	[illegible]
Individuals Receiving Technical Assistance	24,965
Organizations receiving technical assistance	[illegible]

Services Offered by Community Development Credit Unions and Loan Funds
Financial Counseling
Financial Education
Financial Literacy Workshops
First Time Homebuyer Program
Credit Builder
Micro Business Loans
Micro Consumer Loans
Pay Day Lending
Refund Anticipation Loans

RESTORE NYSTI FUNDING

- The Governor's Budget slashes New York State Theatre Institute (NYSTI) funding from $3 million to $1.5 million, recommends phase out of all future State funding

- There are no General Fund savings

- 33 State Employees face imminent termination

- Economic benefits of NYSTI activity Upstate ($1.5 million annually) are in jeopardy

- Severe curtailment of NYSTI's service to education will result, a unique and valuable cultural education resource will be lost to hundreds of schools and thousands of students statewide

- Governor's Budget destroys NYSTI as a program of the Legislature with a proven record of service for 36 years

- Governor seeks to water down NYSTI statute (Article 9 Arts and Cultural Affairs Law), which will hinder NYSTI's work

RESTORE NYSTI FUNDING TO *SAVE JOBS* AND *SERVICE TO EDUCATION*

PRESERVE NYSTI STATUTE

REJECT A.9707/S.6607 PART "D" SECTIONS 1-5

New York State Theatre Institute
37 First Street
Troy, NY 12180
518 274-3200
www.nysti.org

TESTIMONY BEFORE THE JOINT LEGISLATIVE HEARING OF THE SENATE FINANCE AND ASSEMBLY WAYS AND MEANS COMMITTEES BY REPRESENTATIVES OF THE NEW YORK STATE THEATRE INSTITUTE (NYSTI)

MONDAY, FEBRUARY 1, 2010
ALBANY, NY

****

TESTIMONY PRESENTED BY:

DAVID W. MORRIS
CHAIRMAN
NYSTI CORPORATION BOARD

PATRICIA DI BENEDETTO SNYDER
NYSTI PRODUCING ARTISTIC DIRECTOR

JOHN ROMEO
NYSTI TEACHER ARTIST
PRESIDENT, NYSTI CHAPTER
UNITED UNIVERSITY PROFESSIONS

Further Information:
NYS Theatre Institute
37 First Street
Troy, NY 12180
518 274-3200

To: Hon. Herman D. Farrell, Jr.
Hon. Carl Kruger

Statement by David W. Morris, Chairman of the Board of Directors
New York State Theatre Institute Corporation

Good afternoon, my name is David Morris I am the Chair of the Board of the New York State Theatre Institute. I appreciate the opportunity to speak with you today to address concerns that the NYSTI Board and I have with the Governor's Budget and Part D, Sections 1-5, of Article VII Bill S.6607/A.9707.

The Empire State Youth Theatre Institute was originally established in 1974 as a program of the Legislature. Eighteen years later it was succeeded by the New York State Theatre Institute (NYSTI for short) which was created by the Legislature when it enacted and Governor Cuomo approved Article 9 of the Arts and Cultural Affairs Law.

The Arts and Cultural Affairs Law required that the Board of Directors of the corporation include representatives of the disciplines applicable to the Theatre Institute program of arts-in-education. Included on our Board are men and women with business and legal experience, elementary and secondary school teachers, higher education practitioners and professional theatre specialists. Board members come from around New York State.

I believe that effective governance of the Theatre Institute has been accomplished by our Board over the ensuing 16 years precisely because each Board member is aware of the unique nature of the NYSTI program. We not only understand what NYSTI does for young people and their families but have seen the results.

Yesterday afternoon my wife and I had the pleasure of attending a performance of *Agatha Christie's "And Then There Were None"* directed by NYSTI's own David Bunce at the

Theatre Institute in Troy. The truly awesome performances of talented NYSTI interns from area schools and NYSTI's own company was inspiring. Virtually all members of our company are here this afternoon to join in opposition to NYSTI's virtual destruction.

The activities of the Theatre Institute, both domestic and international, are well known and widely respected. A year ago we were invited to the Swedish Consulate in New York City to accept a citation on behalf of NYSTI from the Swedish Ambassador and to bring him greetings on behalf of New York State. NYSTI's exchange of artists from the Swedish theatre group *Teater Vastmanland* brought a different culture to our audiences—another example of NYSTI's work toward mutual understanding.

Last year the **Children's Theatre Foundation of America** honored NYSTI and its Producing Director Patricia Di Benedetto Snyder in New York City with its prestigious medallion awards and subsequently elected Dr. Snyder to its Board of Directors.

NYSTI leadership includes accomplished educators, among them a Ph.D., and many with Master's degrees. Education, the arts and the humanities provide the foundation of the Theatre Institute. These vital cultural areas drive NYSTI's service to young people, their families, their teachers and their schools. There is a delicate balance of art and education that has been nurtured and protected since the Theatre Institute's founding in 1974.

Under the Governor's proposed budget and Article VII legislation, without notice from and without consultation by the Office of the Budget with the New York State Theatre Institute Board, NYSTI's unquestionable success will be destroyed and all of NYSTI's substantial assets abandoned and its personnel terminated.

It is critical at this time that I express NYSTI's opposition to the Governor's Executive Budget which reduces NYSTI's operating budget by one-half and proposes that NYSTI become self-supporting with private grants and donations. To expect that a volunteer, unpaid board of directors could raise $1.5 million within two months and $ 3 million annually thereafter to support the salaries of State employees and pay the expenses of a State Agency is absurd.

Can you imagine how much success seven volunteers would have in raising enough money to pay the costs and expenses of the Governor's office?

Passage of the Governor's proposal for NYSTI means termination of State employees is unavoidable. Curtailment of NYSTI educational programs for young people, their teachers and families will be inevitable.

NYSTI also opposes the Governor's Article VII bill (Part D, Sections 1-5, A.9707/S.6607) which waters down NYSTI's educational mission, denies access to the State Budget process and weakens NYSTI's ability to receive assistance from SUNY and other agencies by removing strong language in the legislation since 1992 that authorizes and *directs* other State agencies to provide assistance and services.

Futhermore, as you all know, NYSTI's appropriation actually comes from a Special Revenue Account – The Cultural Education Account – and NOT the General Fund. This account does not include "hard" tax dollars, such as revenue from income and sales taxes in the General Fund, rather it comes from a long established small fee charged on transactions in city and county clerks' offices statewide.

Now, the Governor's Budget is poised to pilfer the greatly reduced NYSTI appropriation even further, stating, "In 2010-11, $1.5 million is provided for NYSTI to pay for certain obligations that have already been incurred ..." This language is a transparent attempt to smooth over the Governor's Budget Division "shell game" with NYSTI's appropriation, whereby funds have been diverted to the General Fund and NYSTI would not have the use of all the funds provided by the Legislature. The Office of the State Comptroller has verified this situation.

You should all be aware that there will be these direct economic consequences for communities in the Capital District and beyond if the Governor's Budget is allowed to stand:

- Termination of 33 full time State employees from working families, represented by UUP/NYSUT
- Over 100 part-time teachers, artists and craftspeople will be terminated
- The City of Troy, the Capital District and surrounding UPSTATE counties as well as metropolitan New York City will lose economic benefits of NYSTI from direct purchase of goods and services estimated at $350,000 annually
- The annual NYSTI audience of 40,000 will no longer patronize local restaurants and businesses (a "spin off " benefit estimated at $25 per capita or $1,000.000)
- An exemplary public-private partnership between NYSTI and the Sage Colleges will be lost (Sage provides the Schacht theatre auditorium, utilities and maintenance free of charge in exchange for NYSTI staff instructional services to its students.

The Governor's failure to bring NYSTI representatives to the table during Budget development discussions last year resulted in wasteful exercises to prove the worthiness of NYSTI's programs and the Legislature's commitment to NYSTI. That failure culminated in the Legislature's rejection of the Governor's proposals to damage one of the Legislature's most successful and productive cultural and educational programs.

Now, the Governor is trying to do it again. On behalf of NYSTI's Board, I respectfully request that Part D, Sections 1-5, of Article VII Bill S.6607/A.9707 be removed from further consideration.

As it did last year NYSTI is prepared to accept a manageable budget reduction to do its share in restoring New York State's fiscal health and we look forward to working with the Legislature to preserve the NYSTI program for our future, which is the young audience we serve.

Thank you for your time and attention.

At this time, it is my privilege to introduce John Romeo who is one of NYSTI's premier actors whose performances I have been indeed fortunate to enjoy for many years. Mr. Romeo is also president of the NYSTI chapter of the United University Professions.

(After Mr. Romeo finishes)

It is now my pleasure to introduce Patricia Di Benedetto Snyder, Founder and Producing Artistic Director of the New York State Theatre Institute.

TESTIMONY BY PATRICIA DI BENEDETTO SNYDER
FOUNDER AND PRODUCING ARTISTIC DIRECTOR
NEW YORK STATE THEATRE INSTITUTE (NYSTI)
JOINT FISCAL COMMITTEES OF THE NYS LEGISLATURE
February 1, 2010

Thank you for this opportunity to speak to you about our concerns. We want you to know that we support our colleagues at "The Egg" and the New York State Council on the Arts as they seek restoration of their funding.

We are opposed to Governor Paterson's Budget proposal that slashes the New York State Theatre Institute's appropriation by half, ultimately forcing the termination of thirty-three dedicated State employees from upstate working families, as well as 100 part-time teachers, artists and craftspeople from throughout NY State.

The Governor's Budget proposal will destroy educational and cultural programs for 60,000 students in New York State.

We also oppose the Article VII bill (Part D, Sections 1-5, A.9707/S.6607) that the Governor proposes to amend the Institute's statute (Article 9, Arts and Cultural Affairs Law) approved by the Legislature in 1992. The Governor's bill significantly weakens our educational mission and sustainability and it denies NYSTI access to the State Budget process.

The New York State Theatre Institute (NYSTI for short) is a program of the Legislature. NYSTI was created in 1974 and for 36 years NYSTI has been the **pioneer** in employing the arts, especially the live theatre, as a force for alternative education across New York State and beyond. Although our presentations on the stage may be the most visible result of our work, it is only the tip of the iceberg. NYSTI is not just a quality professional theatre for students and family audiences.

NYSTI is a school!

NYSTI is a school for high school seniors from public and private schools throughout New York State. Our students are released from their home campus to study at NYSTI six days a week for one or two semesters. Most of our high school interns complete their requirements for graduation at NYSTI. Our program of hands on experience in the multiple disciplines of the theatre is linked to the curriculum of the dozens of high school students we serve each year. NYSTI provides a nurturing educational experience to adolescents who might otherwise give up, drop out or fail.

NYSTI provides artful teaching methods that engage the full range of students from the barely literate to the academically exceptional, from the shy and introverted to the bold and outspoken, from the disengaged to the highly motivated. Each of them has a place at NYSTI.

We also work with prestigious public and private colleges and universities, providing internships and certifying college credit for undergraduate and graduate students. Many of our interns have told us, years later, that NYSTI changed their lives as they pursued their careers in the arts, education or other disciplines. We've lately heard from hundreds of them on Facebook as they sign on to our campaign to save the Theatre Institute. Since our inception, NYSTI has served no fewer than 1,562 interns, certifying more than 23,000 hours of academic credit.

In addition to serving New York State high school and college interns, NYSTI provides educational services to the teachers of the students who see our productions each year.

- The NYSTI education team travels to schools to prepare students for their often first live theatrical experience.

- Each teacher who brings their class to a NYSTI performance is provided with the opportunity to enhance the theatre experience of their students through NYSTI's widely replicated study guides, which provide direct curricular connections to the action on stage.

- NYSTI teacher/actors and teacher/technicians create lesson plans from which they teach students following their attendance at a NYSTI performance in what we call a "residency."

- NYSTI also provides workshops for teachers and administrators, certifying professional development credit for each teacher who participates in NYSTI's "in service" programs. Teachers are required to accumulate professional development hours in order to maintain their New York State certification.

The Governor's budget proposal for the Theatre Institute is a further assault on funding for education in our State. NYSTI is a unique and important upstate source of alternative education for our most talented, and in some instances, our most needy young people.

We understand these are difficult economic times in our State and nation and NYSTI is prepared to absorb a manageable reduction in funding—to do our share in restoring New York's fiscal health. But we oppose the Governor's proposal to arbitrarily slash our budget in half and change the statute that has given NYSTI the strength and support to maintain our educational programs for millions of young New Yorkers.

NYSTI's "return on investment" has been consistently positive, delivering an <u>affordable</u> program of education and cultural enrichment to family audiences that has touched all 62 counties in New York State and a cumulative audience of 8 million since 1974.

<u>In the state that is home to Broadway</u>, the theatre capital of the world...

<u>In the state that created the first Arts Council</u> before the National Endowment for the Arts was established...

In the State that created the New York State Theatre Institute as the pioneer of arts in education…

Our important work toward a more humane future must be allowed to continue. We must be protected from an arbitrary and draconian budget cut with serious economic and human consequences.

We respectfully urge the Legislature to restore funding to NYSTI and to reject the Governor's Article VII bill that would change the Legislature's intent when it created the Theatre Institute.

My name is John Romeo, I am a Teacher/Actor and hopefully, a stage director with the New York State Theatre Institute, for over 27 years, and President of the Theatre Institute/United University Professions Chapter. I represent the employees of NYSTI and the 25 members of UUP who have worked for NYSTI for over 3 decades and the many actors, teachers and technicians needed on a temporary basis by NYSTI to fulfill is mandate. These hard working theatre professionals have spent their tenure committed to the precept that the Arts are and must continue to be an integral part of the Educational process. The Institute was created by legislation that recognized the value of the theatrical experience to students of all ages. NYSTI's mandate has been to meld the play with the curriculum being taught in the classroom. NYSTI has developed not only it's award winning <u>theatrical</u> program but it is recognized world wide as an innovator of connecting the classroom to the literature of the stage.

The professionals who populate the staff of the Institute come from all over the state, from varied backgrounds and experiences all dedicated to teaching the thousands of students that pass through it's doorways. Most have given up the opportunity of the "brass ring" the theatre offers. They have given up the chance to achieve the goal of working in the theatre capital of the world, New York City. They have chosen instead to live and work in the Capital District, becoming homeowners, starting and raising families and establishing their careers in service to NY State.

The Executive Budget recently presented has once again thrown the Institute and its dedicated staff of teachers onto the guillotine of "streamlining the State workforce". Once again, the staff must justify to another state budget why it should exist and prove the need for this resource to teachers and students. Why must this continue to persist? It has been said that when an archeologist digs for traces of ancient civilizations, the things that remain to tell how civilized we were in the past, are the Arts. The literature, plays, books, and paintings are all that remains. The measure of how advanced and civilized we were <u>is</u> in our art.

Our schools have been stripped of their Arts programs. School budgets find it easier to slice out music, theatre and art programs. The humanity and perspective the Arts give students has been lost in the desire to balance budgets and keep taxes low.

The NYS Theatre Institute has remained one constant amidst all the butchering of the arts in local schools. NY State's commitment to the NYSTI program has stood as a small but valued resource for those students and teachers to keep the Arts in Education.

Now, a shortsighted budget plan has shown that NY State is abandoning the Theatre Institute because of a difficult, but temporary fiscal crisis. This gem of NY State is being cast off because somehow the Budget can't see its value.

Do the Budget's writers understand that the theatrical industry's center and heartbeat lies in New York State and New York City? This industry provides enormous financial assets to the City and State? The tourism dollars alone that the theatre industry brings this state are a king's ransom. The taxes paid by theatres, producers and the workers of this industry aid this state enormously. NYSTI's Education Programs provide students with exposure to the Theatre. NYSTI's Intern program brings high school and college students to the business by allowing them to become intimately involved, hands on with the theatrical process. Thereby passing on to colleges, our State Universities and the industry, new recruits who are more highly trained, more innovative and more productive members of the industry. How does one put a value on that?

On a local level, NYSTI must hire additional staff over its seasons; actors, teachers and technicians from the community are needed to fill out the demands of various educational programs and productions. The money spent here goes back into their communities, into the distressed economy of the city of Troy and into the coffers of the State of NY. The school children that come to the Theatre Institute are brought to Troy, giving exposure to a city desperately trying to reestablish it's once lively arts. The Interns who come to NYSTI provide tuition and spend their dollars in Troy. The thousands of public audience members who travel to NYSTI's theatre in Troy surely spend their dollars in Troy's restaurants and it's struggling Antique District, near the theater. NYSTI's patronage of local suppliers of lumber, steel, hardware and paint vendors needed to construct its scenic elements provides valuable income to the local business community. It is hard to see how dismantling NYSTI could do anything other than erode the positive economic influence it provides in the Capital District.

Should this statute and budget not be restored, the employees of NYSTI will be out of work, on unemployment. There is little possibility of them getting work in their profession in this area. There is no other full time professional theatre company. There is one freelance company, who struggles daily to pay its staff. The actors, teachers and technicians who are hired by NYSTI, outside of it's permanent staff will lose a major income source and may end up struggling, along with NYSTI staff, to not lose their homes and uproot their families. The loss of jobs would add up to over 130 of NYSTI staff, additional teachers, actors and technicians. This will only further erode the economic foundation of our community.

The only sensible and responsible thing to do is keep NYSTI alive. The people of NYS, the students and teachers deserve and need this resource. Perhaps, those historians looking through history books one day will find evidence of a State that decided that Ultimate Fighting was a valuable asset to its people but that , NYSTI, a remarkable and highly successful Arts in Education program should be abandoned. And in the far future when the archeologists dig through the rubble of this State, will they find no evidence of our civility and humanity in this state's dedication to Education, but only the rotting cages of the gladiatorial sport it used to make some quick cash? Is this how we want our Great State to be remembered? I ask the Legislature to reject the Governor's proposal and restore NYSTI's budget and statute. Thank you very much.

NYS Theatre Institute

Where art is an education and education is an art

Since 1976, the NYS Theatre Institute has utilized high quality professional theatre as an innovative means to engage students in learning curricular subjects in new and eye-opening ways. A valuable supplement to effective classroom teaching, the Institute's productions help to enliven the curriculum.

EDUCATIONAL RESOURCES for SCHOOLS

Scripts Available for review by educators.

Study Guides Study Guides are an invaluable source of classroom activities, concepts, and vocabulary from the play. For each production, the Theatre Institute staff develops a study guide for teachers to use as a tool for connecting the production to their classroom curriculum.

Pre-Show Intros Pre-Show Intros are one of the Theatre Institute's most popular educational programs. NYSTI's Education Department staff travel to schools to conduct interactive in-class preparations for students.

Inservices/Educator Previews Inservices offer educators as well as the public a behind-the-scenes look at productions. The two-hour program includes presentations by the director, designers, and technicians as well as a brief look at a rehearsal of the production.

Post-Performance Classes Residencies are the cornerstone of the Theatre Institute's connection to the schools and the integration of the theatre performance into the academic curriculum. School groups remain at the theatre after a performance for related classes with the cast and crew.

Additional Enrichment Experiences for Students Students may explore theatre careers by visiting NYSTI. NYSTI staff travel to career days at schools. Shadowing opportunities for students.

Professional Development for Educators A Journey from Page to Stage. Educators earn professional development credit by joining the staff of NYSTI as they traverse the journey of mounting a production. Educators receive a copy of the script, brainstorm with the company as it prepares the study guide, attend the first read-through of the script, visit a rehearsal, attend the Inservice to meet the creative team.

Special Educator Events Special events for educators around weekend performances of our productions. Educators receive a complimentary ticket and earn professional development hours through pre-performance programming.

EDUCATIONAL PROGRAMS for INDIVIDUALS

Internships / Educators-in-Residence / Student Teachers More than 1,500 interns from high schools and universities throughout the United States and 13 foreign countries have studied at NYSTI since 1974 when NYSTI pioneered internships in professional theatre. Professional educators and student teachers have likewise studied and trained with the company.

Theatre Arts School NYSTI offers a Saturday school for young people from as young as age three through high school. The program concentrates on personal and creative development as well as pre-professional training.

WinterStage A week-long immersion in circus skills for young people aged 8 to 15 during February vacation week ending in a presentation tailored to the students' skill levels.

SummerStage A three-week, full-day program for students aged 9 to 16, SummerStage offers students professional training combined with individual attention in self-confidence, cooperation, poise, and a variety of performing arts topics.

Summer Theatre Institute A four-week, full-day program for advanced students in high school and college, the Summer Theatre Institute combines intensive training in acting, voice, and dance, with afternoon rehearsals for a musical production.

NYS Theatre Institute, 37 First Street, Troy, NY 12180, 518-274-3200, www.nysti.org

August 2009

NYS Theatre Institute
37 First Street
Troy, NY 12180

Non-profit
Organization
U.S. Postage
PAID
Permit No. 280
Troy, NY

Internships

NYS **Theatre Institute**

Professional theatre for family and school Audiences

For more than thirty years, the NYS Theatre Institute has been on the cutting edge of combining professional theatre with education and offers individualized internships that truly train and educate. Internationally acclaimed, NYSTI has performed on Broadway, Off-Broadway, in eight foreign countries, and has co-produced with several other regional theatres. The company has premiered more than three dozen new plays and musicals, several of which have won national awards, been published by Samuel French, and been performed by theatres across the country. Internships are one of our most rewarding and successful programs.

NYS Theatre Institute

Professional Theatre Internships

Discover your place in the world of professional theatre through an exciting, rewarding, and enlightening internship.

You...

NYSTI Internships are offered to college and graduate students, select high school seniors, student teachers, and educators-in-residence. To intern at NYSTI, you must be affiliated with an accredited institution, either public or private. For applicants not currently enrolled, NYSTI can assist you in establishing academic affiliation. A major in theatre is not required.

Your Academic Credit...

As an intern, you earn academic credit from your home campus. The academic requirements of your home campus are assessed by NYSTI's Intern Program Director, and an individualized program is developed to insure those requirements are fulfilled while you are at NYSTI.

Your Training At NYSTI...

You will be assigned an individual mentor from NYSTI's staff of professional actors, educators, and technicians. All members of NYSTI's company are experienced educators, resulting in a better than 1:1 student-faculty ratio – a one-of-a-kind opportunity. Your training at NYSTI is primarily experiential. You work side-by-side with theatre professionals, and learn by doing.

During each production of your internship, you will be assigned to work in one of many areas of theatre: costumes, scenery, box office, props, music, sound, performance, public relations, lighting, stage management, education, and arts administration. It is possible for more experienced students to specialize in a single department for an entire semester. You may audition for NYSTI's productions, and interns are often cast.

NYSTI offers a variety of theatre classes and workshops. Stage combat, costuming, and circus skills are only a few of the offerings. Some academic classes are offered to insure you fulfill your school's graduation requirements.

Your Future...

The strong sense of responsibility, self-discipline, and professionalism you develop at NYSTI will serve you well in whatever career you choose. Working with the NYSTI company, with guest directors, designers, and actors provides you with training and experience unattainable through classroom study alone. You will develop your first network of professional contacts. NYSTI interns benefit greatly from acceptance to outstanding universities and graduate schools. Former interns are working in all aspects of the profession, on Broadway, Off-Broadway, at regional theatres, and in film and television.

It's Up To You...

Most NYSTI interns enroll full-time during the regular academic year, but part-time, January term, and summer internships are also possible.

If an Internship at NYSTI seems right for you, learn more at NYSTI's website, www.nysti.org. You may obtain an application and a booklet that details the Intern Program by calling, writing, or emailing:

Intern Program Director
NYS Theatre Institute
37 First Street
Troy, NY 12180
Email: interndirector@nysti.org
Phone: (518) 274-3573

Theatre Arts School
NYS Theatre Institute
37 First Street
Troy, NY 12180

Non-profit
Organization
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Permit No. 280
Troy, NY

Theatre Arts School

NYS **Theatre Institute**

Professional theatre for family and school Audiences

The Theatre Arts School of the NYS Theatre Institute is unique to the Capital Region. Classes, taught by professional theatre artists in a non-competitive, creative atmosphere are designed for everyone. The Theatre Arts School balance of professional training with personal development has provided participants a firm foundation in theatre performance fundamentals since 1978.

NYS **Theatre Institute**

Theatre Arts School

The Theatre Arts School is based at Russell Sage College campus in Troy, New York. During the school year, fall and spring semesters of 12 weeks duration are offered. Specific class dates and schedules are furnished upon request.

SATURDAY WORKSHOPS

Creative Dramatics

This 45-minute class is designed to channel the very young student's imagination in constructive, inventive activities that emphasize self-expression. **Ages 3 - 6, tuition: $150.00.**

Intro to Theatre Fundamentals

During this one and a half hour class students explore character development, acting technique, vocal expression, and movement in an environment that fosters self-esteem and self-expression. **Ages 7-8, tuition: $200.00.**

Theatre Fundamentals

These three-hour workshops (an hour each of acting, movement and voice) focus on improving the performer's body, mind and voice through theatre games, improvisation and character development. **Ages 9 - 12, tuition: $300.00.**

Performance Technique

These three-hour workshops, with students grouped by age and experience, focus on perfecting the performer's craft through preparation of scripted materials, vocal selections and choreography. The workshop culminates in an informal staged presentation. **Ages 13 - 18, tuition: $300.00.**

Production Workshop

This year-long, four-hour program of study in acting, dance and singing requires a serious commitment by the student. Production Workshop features in-depth performance preparation and technical theatre fundamentals through the creation of an original theatrical production. **Experienced students only, tuition: $700.00/year.**

VACATION PROGRAMS

WinterStage

A week-long immersion in circus skills for young people aged 8 to 15 during February vacation week ending in a presentation tailored to the students' skill levels.

SummerStage

A three-week adventure in the performing arts for young people aged 9 to 16. Students work with teaching artists developing a range of theatre skills ending with a staged production conceived, written and performed by the students.

Summer Theatre Institute

A four-week intensive musical theatre performance program for high school and college students. Mornings are spent in classes; afternoons in rehearsal. Personal and professional standards of excellence are emphasized culminating in the presentation of a workshop musical production.

Application

Enrollment desired for:

_____ Creative Dramatics (ages 3 - 6)
_____ Intro to Theatre Fundamentals (ages 7 - 8)
_____ Theatre Fundamentals (ages 9 - 12)
_____ Performance Technique (ages 13 - 18)

Send information on:

_____ SummerStage (ages 9 - 16)
_____ Summer Theatre Institute (ages 14 - 21)
_____ WinterStage (ages 8 - 15)

Mail to:

Theatre Arts School
NYS Theatre Institute
37 First Street, Troy, NY 12180

Information: (518) 274-3295
e-mail: tasdirector@nysti.org
www.nysti.org

Name ____________________

Address ____________________

City, State, Zip ____________________

Phone (Day) __________ (Evening)__________ e-mail__________

Date of Birth __________ Grade level as of September, 20____ : __________

Performing arts training and/or experience. If preferred, attach resume: ____________________

____

____

Parent/Guardian Signature ____________________ Date __________

Students enrolled in the Theatre Arts School who are cast and agree to participate in a Theatre Institute production must consider such participation as an extension of their classes and a special opportunity without remuneration.

NYS Theatre Institute
37 First Street
Troy, NY 12180

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Hurry,

Hurry,

Step Right Up!

WinterStage

NYS **Theatre Institute**

Professional theatre for family and school Audiences

WinterStage February 15–19, 2010
featuring Sean Fagan's Circus Theatricks for students aged 8–15

WinterStage, presented by the New York State Theatre Institute, features Sean Fagan's Circus Theatricks program which teaches students skills in juggling, balance beam, clowning, costumes, magic, unicycling, gymnastics, acrobatics, and stilt walking.

NYSTI's Other Theatre Arts Programs:

Theatre Arts School (Fall and Spring semesters) • SummerStage • Summer Theatre Institute

NYS Theatre Institute

WinterStage

Circus Theatricks

"I saw my son grow in a whole new way...You're not just teaching circus skills; you're teaching life skills! Thank you for giving the students imagination, self-esteem, and the courage to dream!"

Parent

"The children loved you and what you taught them. I especially thank you for the patience and tolerance you displayed with my class. You touched many lives here... and we thank you!"

5th Grade Teacher

"Being on stilts was pretty cool. It was hard at first, but I got used to it..."

6th Grade Student

Life can be a three-ring circus filled with juggling many changing demands. At WinterStage, new experiences of exploration and achievement give students a greater sense of self-confidence and insight to take with them into any realm of life. Skills learned through Circus Theatricks include control, use of instinct, rehearsal and repetition, courtesy, teamwork, understanding and safety.

About Sean Fagan's Circus Theatricks

A former Ringling Bros. and Barnum & Bailey Circus clown, Mr. Fagan created Circus Theatricks which teaches children circus skills from beginning levels on up. The coaches take great care to make sure that the disciplines are taught in a slow manner with a commitment to safety and technique. The environment is one of process and teamwork, while also trying to help young people discover and express their individual personalities. It's a humorous, hands-on, high-energy experience!
www.circustheatricks.com

Details
Students aged 8-15
One Week, February 15-19, 2010
Monday-Friday 9 AM - 4 PM
Held in the Little Theatre on the campus of Russell Sage College, Troy, NY
Tuition: $250

Application Deadline: January 15, 2010
Cheryl Zeilman
Phone: 518-274-3295
E-mail: tasdirector@nysti.org

NYSTI Website: www.nysti.org

Name ______________________ DOB __________ Grade Level __________

Address ______________________ City, State ______________ Zip Code __________

Parent/Guardian ______________________

Phone (H) __________ (W) __________ (cell) __________

e-mail ______________________

Please attach a brief statement explaining why you wish to study with the NYS Theatre Institute's WinterStage program.

Mail completed form to: Theatre Arts School - WinterStage, NYS Theatre Institute, 37 First Street, Troy, NY 12180
You may also apply by e-mail:
Simply provide all the information requested above to
Phone: (518-274-3295)
NYSTI Website: www.nysti.org

Theatre Arts School
NYS Theatre Institute
37 First Street
Troy, NY 12180

Non-profit
Organization
U.S. Postage
PAID
Permit No. 280
Troy, NY

Summer Theatre Programs

NYS **Theatre Institute**

Professional theatre for family and school Audiences

SummerStage

July 5 - 23, 2010
for students aged 9-18

Summer Theatre Institute

July 19 - August 14, 2010
for college and high school students

NYS **Theatre Institute**

Summer Theatre Programs

SummerStage

SummerStage combines structured performing arts training with creative expression, fun, and social interaction for students ages 9-18**. It emphasizes individual attention along with collaborative work including performance in an original group project based on the students' interests.

Details: July 5 - 23, 2010. Monday-Friday 9 AM*-4 PM*
Held on the campus of Russell Sage College, Troy
Tuition: $550.
Apply to Cheryl Zeilman by May 1, 2010
tasdirector@nysti.org • 518-274-3295 • www.nysti.org

**Extended care hours are available to augment your child's participation during SummerStage: Before Care 8-9 AM $50., After Care 4-5 PM $50., Both 8-9 AM and 4-5 PM $100.*

***Apprenticeships are available to a limited number of 16-18 year olds with SummerStage experience. Students pay half tuition and are trained to be administrative, teaching, and technical assistants. Selection by interview.*

Summer Theatre Institute

Teenage students rehearse and perform a workshop production of a musical. A creative team of professionals guide the development of the fully staged musical which is performed for audiences during the closing days of the program. Check website for this year's production.

Details: July 19-August 14, 2010. Monday-Friday 9 AM-5 PM
Held on the campus of Russell Sage College, Troy
Tuition: $700.
Apply to John McGuire by May 1, 2010
Audition and interview are required (video auditions accepted)
stidirector@nysti.org • 518-274-3754 • www.nysti.org

Summer Internships & Educators-in-Residence

Internships are available during both of NYSTI's summer programs to high school seniors and college students. SummerStage emphasizes administrative, teaching and technical training and Summer Theatre Institute offers on and off-stage performance and technical training. Elementary and secondary school teachers can earn graduate or in-service credit working with either or both programs.

Details: Contact Sara Melita • interndirector@nysti.org • 518-274-3573 • www.nysti.org

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Application 2010

Please check all that apply:

_____SummerStage: _____*Extended Care* _____*Apprenticeship* _____*Internship* _____*Educator-in-Residence*

_____Summer Theatre Institute: _____*Apprenticeship* _____*Internship* _____*Educator-in-Residence*

Name ______________________________ DOB____________ Grade level ____________

Address ____________________ City, State ____________________ Zip code __________

Parent/Guardian ______________________________

Phone (h) ____________(w)____________(cell)____________ e-mail____________

Please attach a brief statement explaining why you wish to study with the NYS Theatre Institute.

Mail completed form:
Theatre Arts School - Summer Programs,
NYS Theatre Institute, 37 First Street, Troy, NY 12180
Simply provide all the information requested above.

or by e-mail:
SummerStage: **tasdirector@nysti.org**
Summer Theatre Institute: **stidirector@nysti.org**
Website: **www.nysti.org**

Children's Theatre Foundation of America

November 24, 2008

Patricia Di Benedetto Snyder,
Producing Artistic Director
New York State Theatre Institute
37 First Street
Troy, New York 12180

Dear Patricia:

It is my great pleasure to inform you that the Children's Theatre Foundation of America has designated

The New York State Theatre Institute
and
Patricia Di Benedetto Snyder, Producing Artistic Director

AS CO-RECIPIENTS OF A 2009 Medallion.

The Medallion honors more than a generation of award-winning theatre for family and school audiences. The educational programs for school groups, as well as weekend and summer classes for children and youth are of outstanding quality. Children of early audiences enthusiastically support and attest to its abiding value.

We request that you affirm in writing to me your acceptance of the Co-Medallions, and your intention to personally receive it at the 2009 Medallion Luncheon, Tuesday, August 11, 2009, at Sardis Restaurant, West 44th Street, 11:45 a.m.-1:15 p.m.. In attendance will be an international audience of professors, theatre directors, playwrights, scholars, all concerned with theatre for children and youth, and arts education of the young.

We request that you send a recent photo of yourself(and if you choose to have your Board Chair to accept the second Medallion, please send their photo also) to me by January 15, 2009 When you receive the Medallions and hear the citation of CTFA, we then request that you informally speak"from the heart" for 4/5 minutes. You are also invited to participate in an informal session of 75 minutes following the Luncheon. This discussion enables many to ask questions. It is chaired by Dr. Dorothy Webb, of Indianapolis, CTFA President.

Congratulations! Sincerely,

President of the Children's Theatre Foundation of America
1114 Red Oak Drive
Avon, Indiana 46123

Treasurer of the Children's Theatre Foundation of America
170 Walnut Street, 9-C
New Orleans, Louisiana 70118

Honoring Dr. Patricia Di Benedetto Snyder

Forty-one years ago I met a faculty member of the State University of New York, Albany. She is standing beside me today, Dr. Patricia Di Benedetto Snyder, a tireless, creative, cyclonic force of nature. In 1968, forty-one years ago, she was a member of the first executive committee of ASSITEJ/USA. She had just persuaded SUNYA to invite the fourth international ASSITEJ Assembly to convene in Albany in 1972. In the subsequent years that initiative gestated into an event co-hosted by Canada in Montreal, and the United States in Albany.

Historians agree that this event became the hinge of history for America's children's theatre, closing the generation of the 40s, 50s, and 60s, while opening into the 70s, 80s, and 90s. Central to this paradigm is today's honoree. Few working in youth theatres were experienced in raising money to mount productions. And no one in the field had ever raised funds for an international event focused on the state. Patricia never hesitated. She learned on the job, raising over $1110,000.00 and more, a sum worth at least 10 times that figure in the diminished dollars of today. She charmed SUNYA to supply nearly half of this sum in facilities and salaries. She wrote irresistible proposals — one to the NEA, another to the New York Council on the Arts and both were fully funded. The New York Council funded a national survey to evaluate the nation's children's theatres. At the end of a 2-year process, managed by the Children's Theatre Conference, two nationally respected theatre critics — Clara Hieronymus of the *Nashville Tennessean*, and Dan Sullivan of the *Los Angeles Times*, and a professional producer-director, boarded an airplane and critiqued stage productions of seventeen finalists from California to Connecticut in a three week marathon, a singular event not replicated since. They unanimously recommended five productions to be staged in Albany. Four of these came to SUNYA, and were scheduled with the Central Children's Theatre of Moscow, the Ion Creanga Theatre of Bucharest, and the Young Comedians of Montreal. This concentrated festival was the main attraction of the International ASSITEJ Assembly, June 18-25, 1972. Of no less interest was a baker's half-dozen of stage critics, ranging from the *New York Times* to *Minneapolis...* and *Chicago...* and the *Saturday Review of Literature*. This panel provided face-to-face impromptu evaluations to SRO audiences immediately after each production.

At the close of the largest gathering of theatre for children in the USA, to date, I recall Patricia's observation: "Many now realize that children's theatre can ONLY BE SERVED by the very best."

As the assembly dispersed, Dr. Snyder and her colleagues at SUNYA began to shape the future. Two years later, in 1974, the first American production for children to be invited to Russia by the Minister of culture was THE WIZARD OF OZ, directed by Dr. Snyder. 1974 also saw the establishment of something new under the sun, the NEW YORK STATE THEATRE INSTITUTE, by act of the State legislature, in response to a New York commission, which found a vast array of community cultural resources disconnected from the State's educational system.

Dr. Snyder has spent half-a-lifetime lifting children's theatre up out of the basement onto stages of the world. For thirty-five years memorable cultural inter-relationships have thrived — theatre tours in New York State and abroad; exchanges of guest artists to and from New York, Canada, Ireland, Britain, Europe, Israel, Japan. Productions have been staged on Broadway and in London — or west to Hollywood and television. If the offices of NYSTI have a wall of honors received, it will attest the NYSTI attracts honors as magnets attract metal. Even a fleeting glance will reveal praise from the Kennedy Center; the Jennie Heiden Award of the American Theatre Association for professional theatre; or AATE's Sara Spencer Award — or praise from Her Royal Highness, Queen Noor of Jordan.

Dr. Snyder knows that ART matters...not themes; not lesson plans; not issues; not politics, but ART. She know that children renew the human race. They arrive fresh and hungry for life; eager for stories; drawn to adventure and experience. She knows the distance to the heart of a child, and how to touch the heart of a child with wonder and joy, even in a time of darkness across thousands, thousands of miles.

The Children's Theatre Foundation of America is honored to present its Medallion to Dr. Patricia Di Benedetto Snyder

Honoring The New York State Theatre Institute

The Children's Theatre Foundation of America takes pride in honoring the New York State Theatre Institute located in Troy, New York, population 50,000.

In June of 1972 the theatre hosted the ASSITEJ World Congress and Festival. In 1974, the New York State Theatre Institute was created by the New York State legislature.

In this early history, leadership was provided by Patricia Di Benedetto Snyder and her colleagues. From the beginning to this day, the New York State Theatre Institute has provided the highest quality of theatre for young people.

The mission of the Institute is clearly dedicated to these objectives: first, to produce professional theatre of exceptional artistic standards for family and school audiences; second, to present productions of provocative ideas and innovative arts programs; third, to exchange theatre, culture, and humanity with people in other nations; and fourth, to develop plays and musicals that have significant message and content for family audiences.

Over the past thirty-five years, this theatre has produced over 207 productions for schools and public performances. In addition to these public performances, actors, technicians, and staff use productions in the classroom to motivate students to find interest in their daily subjects while also learning about the theatre. The Institute is committed to international cultural exchanges and has represented the State and the Nation in Canada, England, France, Russia, Sweden, Israel, and Jordon.

This company has written and produced forty-five premiere productions including Rag Dolly, Hizzoner!, American Express, and a Tale of Cinderella. In recent years, they have produced audio books, ten titles winning awards. In addition to these outstanding accomplishments, this theatre has performed in New York City, the Kennedy Center, Ford's Theatre, Queen"s Theatre in the Park, the Fulton Opera House, and the Honolulu Theatre for Youth.

Let it be known that this theatre is truly an exceptional theatre for children and young people in its home town, the national theatre scene, and a commitment to international cultural exchange.

Congratulations!!!

The Children's Theatre Foundation of America, August, 2009

1987 Prof. Nellie McCaslin's *Historical Guide to Children's Theatre in America* designates the Theatre Institute as *"one of the best known and most highly respected children's theatres in America."*

1987 The Theatre Institute performs its premiere musical, *Aladdin*, at the command of King Hussein and Queen Noor at the Jerash International Festival of Culture and Arts in Jordan.

1986 The Theatre Institute receives international recognition for its historic tour of *Rag Dolly* to the Soviet Union, as the first American theatre company to perform in the USSR since cultural relations were severed in 1979. *Time* magazine, major networks, wire services, and newspapers cover the event. The Moscow Musical Theatre for Children completes the exchange by performing again at the Theatre Institute.

1985 A nationwide study by the University of Maryland cites the Theatre Institute as being, *"by a wide margin, the most accessible theatre for the disabled in the country."*

1985 The State University at Brockport Arts for Children Award is granted the Theatre Institute in recognition of its significant contributions to combining arts and education, and serving as a model and an inspiration regionally and nationally.

1985 The American Theatre Association grants the Theatre Institute its prestigious Jennie Heiden Award in recognition of consistent excellence and creative effectiveness in programs for young people.

1985 Theatre Institute Box Office Manager, Beth Janiszewski is named "Box Office Manager of the Year" by Box Office International.

1984 Case study of NYSTI (as ESIPA) featured in *Children's Theatre Review*.

1984 A co-production with WNET/13 of Paul Shyre's *Hizzoner!*, starring Tony Lo Bianco, wins five Emmy Awards (including producer Patricia B. Snyder). The Theatre Institute's production of *Hizzoner!* later plays on Broadway and tours to Moscow in 1989.

1983 The only American theatre company invited to the Jerash International Festival of Culture and Arts, the Theatre Institute performs its Kabuki-inspired production of *Sleeping Beauty* as an official guest of the Jordanian government.

1981 The Theatre Institute represents the United States at the ASSITEJ Festival in Lyons, France with its production of *Sleeping Beauty.*

1980 The Kennedy Center for Arts in Education programs awards the Theatre Institute a commendation.

1980 Frank Rich in his *New York Times* review of *A Lancashire Lad* by Adrienne Kennedy and George Harris states that *"[the Theatre] Institute may well prove to be one of the most important theatrical institutions in the state, if not the entire country."*

1979 The Theatre Institute opens the Terrace Theatre of the Kennedy Center in Washington, D.C. with a performance of its production of *Sleeping Beauty.*

1977 The America-Israel Friendship League invites the Theatre Institute to tour Israel with its production of *The Wizard of Oz.*

1977 The Vatican invites the Theatre Institute to tour Rome and Milan with its production of *The Wizard of Oz.*

1974 The American Theatre Association extends a Special Recognition Citation for the Theatre Institute's establishment of a State theatre to develop young audiences.

June 2009

1997 *Metroland* magazine cites NYSTI for "Best Family Educational Theatre Programming," and also names resident company member Joel Aroeste as "Best Actor," and Associate Artistic Director Ed. Lange as "Best Director" in the Capital Region.

1997 Premiere showing of the Warner Home Video of *A Tale of Cinderella* presented on the grand movie screen at Proctor's Theatre, Schenectady, using Barco Light Cannon Video projector provided by Audio Video Corporation.

1997 The Warner Home Video of *A Tale of Cinderella* is released nationwide. Later, PBS airs the video across the entire United States.

1997 *A Tale of Cinderella* is produced in Vincenza, Italy by the United States Army, HWR Division. (NYSTI's version of the classic Grimm brothers tale is set in the Italian canal city of Venice.)

1997 *Billboard* magazine, publishing the first national review of the *A Tale of Cinderella* video, gives it an excellent review, stating, *"packs all the elements of a stage spectacle, from a strong cast to dramatic scenery and terrific costumes."*

1997 The East Central Theatre Conference bestows its annual Award for Theatrical Excellence upon the authors of *A Tale of Cinderella*, W.A. Frankonis, book; composer Will Severin, and co-composer/lyricist George David Weiss.

1996 *A Tale of Cinderella* is entered in four categories of the nominating list for the Grammy Awards by the National Academy of Recording Arts & Sciences, Inc.

1996 *A Tale of Cinderella* video receives the Silver Award at the 4th Annual WorldFest-Charleston. (Gold Award went to Hallmark's *Gulliver's Travels*)

1996 *A Tale of Cinderella* video receives Certificate of Merit for superior quality in the Arts and Culture category at the 32nd Chicago International Film and Video Festival.

1996 Patricia Di Benedetto Snyder inducted as a member of New York Women in Film & Television, nominated by Broadway/Hollywood director/choreographer Patricia Birch, and Broadway/Hollywood designer/art director Patrizia von Brandenstein.

1995 *A Tale of Cinderella* released nationally and internationally on CD and cassette on the new Atlantic Theatre label.

1995 In atypical fashion by a major recording company, an original cast album of a <u>regional</u> theatre production is chosen for full release by Atlantic Records.

1994 Warner Music Group, Inc. and Warner/Chappell Music, Inc. bestow a grant on NYSTI for developing and producing five new musicals for family audiences. The first production, *A Tale of Cinderella*, is chosen by northeast regional critics as the best show of the year.

1994 21st Annual Award from the Center for the Disabled is given to NYSTI for its commitment to individuals with disabilities.

1994 NYSTI produces Jeffrey Sweet's *American Enterprise* Off-Broadway at Playhouse 46, St. Clement's. Script is nominated for the John Gassner Playwriting Award and is included in Theatre Yearbook's *Best Plays of 1993-94*.

1993 NYSTI receives Frederick Loewe Awards to fund fellowships in musical theatre studies.

1993 The New York State Theatre Education Association extends a Special Achievement Award to Patricia Snyder for maintaining and nourishing the NYS Theatre Institute, *"an important cultural and educational resource for New York State."*

1989 Patricia Di Benedetto Snyder, Producing Artistic Director is inducted into the League of American Theaters and Producers, nominated by Ralph Roseman and Harvey Sabinson.

1989 Joseph Balfior and Adrienne Posner are nominated for the Nikos Psacharopoulos Award for Outstanding Achievement by a Director in recognition of their collaboration as co-directors of *Sleeping Beauty*.

1989 Metroland magazine names resident company member, John Romeo as "Best Actor" in the Capital Region.

1989 NYSTI is nominated for the Serge Koussevitsky Award for Outstanding Achievement by a Performing Arts Organization.

NYS Theatre Institute Honors and Recognition

(National and International Tours listed separately)

2009 The Children's Theatre Foundation of America awards its prestigious Medallions to both NYSTI and founding, producing, artistic director Patricia Di Benedetto Snyder in recognition of, "more than a generation of award-winning theatre for family and school audiences."

2008 NYSTI's audiobook of *Hollowville*, by Mary Jane Hansen with music by Will Severin, is nominated for two 2008 Audie Awards in the "Original Work" and "Multi-Voiced Performance" categories given by the Audio Publishers Association.

2007 NYSTI's audiobook of its premiere production of *Sherlock's Legacy*, by Ed Lange with music by Will Severin, wins a 2007 Silver Audie Award in the "Original Work" category given by the Audio Publishers Association.

2006 NYSTI's audiobook of its premiere production of *King of Shadows*, by Adrian Mitchell with music by Will Severin is nominated for a 2006 Audie Award from the Audio Publishers Association.

2006 NYSTI's audiobook of *King of Shadows*, by Adrian Mitchell with music by Will Severin is named a Finalist for the Benjamin Franklin Award in the Children's category by the Independent Book Publishers Association

2005 NYSTI's audiobook of its premiere production of *The Killings Tale* by W.A. Frankonis with music by Will Severin wins a Best Books Award in the Fiction category from USA Book News

2005 *The Snow Queen* audiobook is named a finalist for a Best Books Award in the Children's category by USA Book News

2005 *Metroland* names NYSTI the "Best Children's Theatre," and cites NYSTI's Concert Musical series as "Best Local Theatre Trend," and Ed. Lange as "Best Local Playwright"

2005 NYSTI's audiobook of its production of *The Heart of Troy* by Ed. Lange with music by Will Severin is nominated for a 2005 Audie Award from the Audio Publishers Association

2004 NYSTI's audiobook of its premiere production of *The Killings Tale* by W.A. Frankonis with music by Will Severin wins a 2004 Audie Award from the Audio Publishers Association

2004 Patricia Di Benedetto Snyder received the Community Leadership Award from the Board of Trustees of the Sage Colleges

2004 Warner Home Video releases *A Tale of Cinderella* on DVD.

2004 The video of *A Tale of Cinderella* wins a 25th Anniversary Classic Telly Award

2003 *AudioFile* magazine awards NYSTI's *A Tale of Cinderella* the Earphones Award for *"truly exceptional presentation."*

2002 *Metroland* names NYSTI "Best Educational Theatre Company," citing *"NYSTI exists to create theater for young audiences, and there are probably few organizations in the country with its sense of purpose and commitment."*

2002 Eight new works created by NYSTI are licensed and published by Samuel French, Inc., the world's leading publisher of plays: *The Canterville Ghost, The Killings Tale, A Little Princess, A Tale of Cinderella, Snow Queen* and *Vasilisa, Miracle on 34th Street, Sherlock's Secret Life, The Fair (The Frog Princess).*

2002 *Snow Queen* audiobook is awarded the Benjamin Franklin Award by the Independent Book Publishers Association.

2001 *The Snow Queen* audiobook receives *Foreword* magazine's Book of the Year Finalist Award for Audio Fiction.

2001 *Snow Queen* audiobook receives *Foreword* magazine's Book of the Year Finalist Award for Audio Fiction

2001 Governor George E. Pataki issues a citation celebrating NYSTI's 25 years, describing the company as *"a local and statewide treasure,"* and *"a centerpiece of cultural life in the Capital Region."*

2001 The Albany County Convention and Visitors Bureau honors NYSTI's 25 years and all the company has done to *"elevate the importance of travel industry related activities in the Capital Region."*

2001 *Metroland* again names NYSTI "Best Educational Theatre Company" stating, *"Other theatres have educational programs, but NYSTI is a company that was founded with a mission to bring the best possible theatre to young audiences."*

2001 NYSTI Education Director Christine Boice Saplin is chosen "Educator of Excellence" by WTEN-TV, Channel 10.

2000 Patricia Di Benedetto Snyder, by invitation, joins 250 selected leaders from nationwide commercial and non-profit theatre at the Second American Congress of Theatre, organized by Theatre Communications Group (TCG) and the League of American Theatres and Producers to explore how the two sectors have grown closer since the First Congress in 1975. Dr. Snyder was invited to participate by virtue of her pioneering work as founder and leader of the Theatre Institute since 1974, her status as a Broadway producer, and membership in the League of American Theatres and Producers.

2000 NYSTI's audiobook of its premiere production of *Sherlock's Secret Life*, by Ed. Lange wins a 2000 Audie Award from the Audio Publishers Association. NYSTI's audiobook *Zoe Caldwell reads Oscar Wilde Fairy Tales* receives an Audie Award nomination.

1999 Independent Living Center presents a 1999 Americans with Disabilities Act Award recognizing NYSTI's 17 years of sign-language interpretation and other arts accessibility services.

1999 The *Times Union* names resident company member, John Romeo, as "Best Actor" in the Capital Region.

1999 The American Alliance for Theatre and Education presents its prestigious Sara Spencer Artistic Achievement Award to NYSTI, honoring *"an established theatre for sustained and exceptional achievement in the field of theatre for young audiences"* and *"artistic theatre practice of long duration and wide recognition."*

1999 NYSTI's audiobook of its premiere musical, *The Snow Queen*, introduced and narrated by British stage and screen actor Jonathan Pryce, receives an Earphones Award from *AudioFile* magazine.

1999 NYSTI's audiobook of its premiere play, *A Little Princess*, receives an Audie Award nomination from the Audio Publishers Association.

1998 NYSTI named "Best Educational Theatre Company" by *Metroland* magazine which cited, *"None can really compete with this company in the area of expertise to which it has dedicated its existence. NYSTI offers a full schedule of plays geared toward student audiences, with a considerable educational program that structures meaningful lessons around the plays. Other theatres have educational programs often to ensure grant money; this place exists for students."*

1998 NYSTI's Associate Artistic Director, Ed. Lange, is named "Best Playwright" in the Capital Region by Metroland magazine.

1998 The *Times Union* names NYSTI "Best Kept Cultural Secret" in the Capital Region, stating, *"This professional troupe housed in Troy does such first-rate productions, you'll forget you're in Troy and think you've landed in Williamstown or the Berkshires. What's most oft heard about NYSTI is that they are much more appreciated outside the region (as far abroad as London) than they are here. Definitely a jewel in the Trojan town's crown."*

1997 INTERCOM, the International Film and Video Competition awards a Certificate of Merit to NYSTI's Internship Program video in the category of Public Relations – Recruitment

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New York Coalition of
Community Development Financial Institutions
A Project of the National Federation of Community Development Credit Unions

Federation
Credit Unions United to Serve the Underserved

Testimony to the

Economic Development Hearing Regarding the 2010-2011 Budget

February 1, 2010

Presented by:

Kim Jacobs, Executive Director
Community Capital Resources

The National Federation of Community Development Credit Unions
116 John Street, 33rd Floor | New York, NY | 10038-3300
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Good afternoon. My name is Kim Jacobs and I am the Executive Director at Community Capital Resources.

Community Capital Resources is a non-profit Community Development Financial Institution - a CDFI - that has been providing patient, low cost loan capital to close funding gaps in affordable housing projects since 1989. CCR has participated in over 100 projects in seven counties in the lower Hudson Valley region. We have helped to create over 2100 units of housing and our funds have leveraged almost $300 million invested in such projects. Seeing the impact that our housing loans were having, a few years ago we expanded our loan services to include small business and facilities loans. CCR is now the SBA Micro lender for four counties providing over $750,000 in loan capital to 90 businesses representing over 200 jobs in just a few short years. In addition, like our colleagues across the state, CCR provides an array of educational and technical assistance programs that create economic empowerment in the communities we serve.

I am here today representing the New York Coalition of Community Development Financial Institutions and to ask you to set aside $15 million of the Governor's proposed $25 million Revolving Loan Fund for the New York State CDFI Fund.

Before proceeding, I would like to thank the committee for the opportunity to testify in these hearings on an issue that is critical to the economic well being of communities throughout New York State.

The New York State CDFI Fund

As some of you may recall, on July 3, 2007 the Governor signed into law CDFI legislation with strong bipartisan support. The law, which was modeled after the federal CDFI Fund, envisioned the creation of a comprehensive CDFI program for New York State. The CDFI Program that currently exists at the Empire State Development Corp, is limited in scope, serving only the needs of small business development. The law passed by the Legislature in 2007 mandated a comprehensive asset-building agenda that continues to encourage entrepreneurship and the jobs it creates, but also recognizes the impact of affordable housing and community facilities on job creation, neighborhood revitalization and municipal tax revenues, and further addresses the need for consumer protection against predatory lenders. While the legislation was passed in 2007, funds have never been appropriated for the program. The Governor's proposed Revolving Loan Fund now creates the opportunity to implement the comprehensive, visionary economic empowerment strategy that the legislature embraced in 2007.

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

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In 2007, the legislation creating the New York State CDFI Fund stated:

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

- *The development and support of businesses and commercial facilities that create jobs, revitalize neighborhoods and pay taxes, but that would be ineligible for loans from traditional lenders, especially in this era of tightened credit markets. A substantial portion of those who cannot secure credit from traditional lenders are women and minority entrepreneurs who cannot meet the credit and collateral demands of banks.*
- *The development or improvement of community facilities, like day care centers;*
- *Access to low cost, fair financial services as an alternative to those predatory lenders who target vulnerable citizens;*
- *Housing that is affordable providing safe and decent choices to our workforce;*
- *The development of mixed use projects which struggle when trying to cobble together traditional financial sources that are designed for "only housing" or "only commercial" development;*
- *Enhance the availability of products and services to those who have been shut out of the financial mainstream due to low incomes, lack of access to traditional banking facilities, high fee structures for households with low balances and similar practices.*

CDFIs are nimble and efficient lenders, getting money out into our communities quickly and effectively and it is important to note that funds provided to CDFIs are recycled again and again, making new investments in the economic and social health of our cities, towns and villages.

<u>Specifically, upon receipt of an appropriation, the NYS CDFI Fund will be able to:</u>

- Create jobs and help stimulate the State's economy;
- Leverage resources from the federal CDFI Fund and specifically this quarter, for the proposed Capital Magnet Program for affordable housing;
- Leverage additional private capital for community development needs;
- Expand the range of fair and affordable loans including small business lending, affordable housing, childcare and community facilities, and consumer lending; and
- Make more loans, positively benefiting underserved people and communities

This is a critical opportunity to create real community and economic impact and we ask that the Governor and Legislature seize this opportunity to <u>make real</u> the program you began in 2007 by allocating $15 million of the Governor's proposed $25 million Revolving Loan Fund to the New York State CDFI Fund. It is an investment in our future that you will not regret.

Thank you for the opportunity to be heard.

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In 2008, New York's 110 CDFIs had over $1.9 Billion in loans outstanding to economic and community development projects. In addition to the housing, small businesses and facilities such as child care centers our loans have supported, CDFIs also help low-income and/or low wealth individuals build assets, manage debt, and obtain financing to become productive stakeholders in the economy. By providing car loans, personal loans, low cost banking services, financial education, grants and technical assistance, CDFIs serve the people most often neglected by mainstream financial institutions: 70% of CDFI loan clients are low-income, 76% are minorities, and 58% are women

CDFIs create jobs and income. Studies have shown that for every $1 of a small business loan generates $2.50 in tax revenues to the state. For every dollar loaned to build quality, affordable housing, $35 is returned to our state economy in the form of job creation, tax contributions and new businesses.

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

Support for our request will allow CDFIs to keep leveraging the dollars they receive from other sources. The US Treasury Department, which regulates CDFIs, estimates that CDFIs use their public dollars to leverage investment from private and federal sources at a rate of 20 to 1. At this very moment, CDFIs around the state are getting ready to respond to a new RFP from the Federal government. The newly created Capital Magnet program will allocate $80-100 Million in grants for affordable housing projects around the country.

But CDFIs applying to this fund must come up with a dollar-for-dollar match from non-federal sources to qualify. For CDFIs in New York, this is a particular challenge. Traditionally, those of us fortunate enough to be located in urban areas have been able to secure this match from the banking sector due to its CRA requirements. However, because of the economic downturn which has left the financial services industry reeling, particularly here in New York , New York CDFIs are less able than at any time in the past to meet these match requirements and bring those Federal dollars back to our communities. And for our colleagues in rural areas, even in good economic times, they simply do not have the financial institutions of size in their communities to help them provide those match dollars, leaving some regions which are most in need without a means to secure the Federal funds required to make real economic progress for their residents.

Today, because of the new funds available from the Federal government, matched with the increased need from our residents, CDFIs in New York face an unprecedented opportunity. CDFIs are publicly cited by top Administration officials as being a cost effective, high impact means of reviving our neighborhoods and communities. Approval of funds for the New York State CDFI Fund will give our agencies a leg up in securing those highly competitive Federal dollars for New York residents.

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MicroBizNY

Very Small Businesses Making a Very Big Difference

Testimony to the Joint Fiscal Committee of the New York State Legislature

February 1, 2010

Presented by:

Trevor Davis
Statewide Coordinator
MicroBizNY

MicroBizNY is an association of microenterprise organizations, practitioners, and supporters dedicated to promoting enterprise opportunities for people and communities in New York State. MicroBizNY provides a forum, information and a voice to its members and constituents.

Website: www.microbizny.org

I would like to thank the distinguished members of the Legislature for holding these hearing on economic development program in the 2010 budget. My name is Trevor Davis and I am the Statewide Coordinator for MicroBizNY.

Governor Paterson has wisely proposed a $25 million Small Business Revolving Loan Fund in S. 6609 (Excelsior Job Creation Program). This will allow Community Development Financial Institutions, Community Banks, and Non-Profits to provide needed capital to aspiring entrepreneurs. There is no doubt that this fund is needed. My only problem is that it does not include a technical assistance and training component. MicroBizNY would urge the Legislature to set aside 15-20% of this fund to be used for microenterprise technical assistance and training. TA and Training are critical components of helping entrepreneurs start successful businesses and ensuring that businesses success.

The proposed budget continues to fund programs like the Entrepreneurial Assistance Program and Community Development Financial Institutions at last year's levels. Unfortunately it has removed these programs as individual line items in the budget and lumped into the appropriation for the Minority and Women Business Development Lending Program. Our Coalition of technical assistance providers fought for years to have these programs lined-out in the budget and was successful in doing so for the past three years. Currently it will be left to the Legislature to determine how much of the Minority and Women Business Development Lending Program will be sub-allocated for these very successful programs.

I believe we are at a crossroads in economic development policy in NYS. We have been "chasing smokestacks" for far too long. We exhaust the vast majority of our economic development resources on large-scale economic development projects. The subsidies we provide to business tend to go to the largest 1-2% of businesses in the state while the bottom 90% of businesses are left to deal with the crumbs. It is time to learn to explore a more grassroots economic development approach.

Since 90% of the businesses in this state have either 5 or fewer employees or are sole-proprietorships we must acknowledge that this is where the job creation is occurring. Sole proprietorships as you will see later in my testimony is where the largest increase in job growth occurs. The most interesting part of this is that when our economy is the worst is when these businesses tend to grow. That is why we need to support them now more than ever – especially in a recession. We must also realize that it is far more cost effective to help these businesses start and thrive than to concentrate all of our resources on the next "big economic development deal." If we used 3% of the money we spend on Empire Zones annually we could fully fund a $20 million Technical assistance and training pool of funds to help small businesses start and/or grow.

Microenterprises comprise a staggering 90% of New York State businesses and employ roughly 30% of its workforce.[1] This presence has grown steadily since 2000. Throughout the state, evidence points to the tremendous capacity of these small businesses to contribute to an increasingly equitable and sustainable economy.

Microenterprises account for

21.1%

Of all employment in New York* There are a total of

1,717,249

microenterprises in New York* Microenterprise provides jobs for

2,221,811

people in New York

Microenterprise/Entrepreneurial Development

The microenterprise development industry has defined a microenterprise as a business with five or fewer employees requiring $35,000 or less in start up capital, and does not have access to the traditional commercial banking sector loans.

Microenterprise development is seen as a holistic approach, embracing poverty alleviation, human development and economic development strategies. For this reason, a wide range of institutions - including stand-alone microenterprise development organizations, community development corporations, organizations with loan funds, community action agencies, women's organizations, community development banks and credit unions, housing and social service programs, and government agencies at the local, state, and national levels - are involved in microenterprise development.

After a nearly 20 years of operation, microenterprise development programs in the U.S. are creating jobs, generating income, building assets, and enhancing skills. These results are particularly impressive considering the fact that a significant proportion of assisted micro entrepreneurs are individuals facing obstacles presented by race, gender, ethnicity, income, and location barriers as well as job market fluctuations. Whether the business is the sole source of family income or a crucial supplement to family earnings, microenterprise development has put many low-income families on the road to self-sufficiency.

By generating new economic activity, microenterprise also increases public tax revenues and private incomes, thereby reducing dependence on public assistance, which in turn helps to shrink public budgets. These significant social and economic benefits far outweigh the cost of public and private investment in microenterprise development.

[1] Unless otherwise noted, data is drawn from the U.S. Census County Business Patterns and Nonemployer Statistics and is available through 2007.

Why Fund Microenterprise Development? According to the U.S. Census, Sole proprietorships (an individually owned business – often without employees) account for 72% of all businesses in NYS and have had an average annual growth rate of 3.7% between 2000 and 2006 (equates to an average of 49,000 new businesses per year). There are currently 1.7 million microenterprises operating in New York. Microenterprise development should be viewed as an economic development priority not an afterthought.

- Sole proprietorships generated **$72.5 billion in receipts** in 2007, an increase of 4.63% from the previous year.
- In New York City, **92 %** of businesses are microenterprises.
- In regions such as Brooklyn, microenterprises employ roughly **60% of the workforce**.
- Since 2000, the number of Sole Proprietorships has increased by nearly 3.7% annually, adding an average of **49,121 jobs each year**.

Sole Proprietorship In New York State		
Year	**Sole Proprietorships**	**% Increase from Previous Year**
2007	1,546,788	5.0%
2006	1,473,564	2.1%
2005	1,443,483	2.4%
2004	1,410,301	3.6%
2003	1,361,705	4.5%
2002	1,302,672	3.5%
2001	1,258,822	4.6%
2000	1,202,943	

Microenterprise is Cost Effective:

The last Empire State Development Corporations analysis on the state funded microenterprise development program suggested the following:
State funded programs conservatively generate $2 in tax revenue for every state dollar invested in the program.

EAP businesses cost the state only $1,600 per job created (Compared to the Jobs Now Program which averages $10,000 per job and the Job Development Authority that averages $35,000 per job).

These programs should be expanded to areas of the state that currently lack coverage and grants to these training organizations should increase to maximize federal matching dollars.

Microenterprise development is one of the most promising strategies to lift people out of poverty and assist them in developing assets. New York State currently lags the rest of the country in providing support to microenterprise practitioner and training organizations.

Consider these facts from the Corporation for Enterprise Development's Asset Development Report Card and see where NYS ranks among states:

Outcome Rankings Issue Area Grade: B

Outcome Measure	Rank	State Data	US Data
Small Business Ownership Rate	6	20.2%	17.7%
Private Loans to Small Business	32	$1,965	$2,116
Microenterprise Ownership Rate	6	18.8%	16.5%
Women's Business Ownership Rate	8	5.1%	4.4%
Minority Business Ownership Rate	6	5.9%	4.9%
Women Owned Business Value	22	$141,376	$144,969
Minority Owned Business Value	48	$113,055	$162,824
Employee Ownership (per 1,000 firms)	45	0.9	1.4
Business Creation Rate (per 1,000 workers)	17	10.7	9.6
Employment Growth	23	0.1%	-0.5%
Annual Unemployment Rate	27	5.4%	5.8%
Low-Wage Jobs	16	17.9%	22.2%
Average Annual Pay	13	$41,997	$44,458
Retirement Plan Participation	43	44.5%	47.4%
Employers Offering Health Insurance	13	59.7%	55.8%

Small business development is the lifeblood of the New York State economy. The Entrepreneurial Assistance Program (EAP) is one of the most successful small business development programs run by New York State. EAP is operated by the Empire State Development Corporation and provides intensive training and technical assistance to persons wanting to start their own small business. EAP is different than other small business development programs in that it focuses its outreach to women, minorities, individuals with disabilities, and dislocated workers. There are 24 EAP Centers located strategically around the state. These centers provide training that takes participants from the inception of a business idea, through the formulation of a business plan and finally to securing funding for start-up. The technical assistance provided to these businesses does not end when the business is started.

EAP centers stay with their start-ups for a period of five years. If the business encounters problems they can always turn to the EAP Centers for assistance.

MicroBizNY Supports:

Initiating a $15 Million Statewide Microenterprise Technical Assistance and Lending Development Fund. MicroBizNY recommends that the state develop a new funding mechanism to support microenterprise training, technical assistance and lending. This fund could be operated through Empire State Development Corporation (ESDC) and should be made available to all microenterprise development organizations through a statewide RFP. Regionally based training-focused and lending-focused organizations should work together to develop collaborative partnerships to meet the needs of local entrepreneurs. This program should complement the Entrepreneurial Assistance Program, which would continue to function as it currently does. All EAP would also be able to apply for additional funds from the new fund. Based on past research on the efficacy of EAP and other microenterprise development programs, NYS should invest a minimum of $15 million in SFY 2010-2011 to ensure adequate funding for these needed services. Conservative estimates based on prior ESDC research would indicate that the state would see $30 to $40 million in tax revenue generated by the new businesses created with this program.

Expanding TANF/WIA Funds to support Low-Income Microenterprise Development. MicroBizNY would urge County Governments to include provisions for microenterprise development in their biennial employment plans. We believe that all counties (under the FFFS Block Grant) should include financial support for microenterprise development as the federal government has deemed it an eligible use of TANF Funds. We further believe that local Workforce Investment Boards should provide funding for additional microenterprise training services. National research indicates that low-income people can and do open and operate successful small business ventures and approximately half of the clients served by EAP would be eligible to receive services under the TANF eligibility guidelines. These funds could also be used to develop child-care businesses that would help meet both the need for affordable child-care in our state and provide low-income women the opportunity to develop profitable businesses.

Supporting Programming to Improve Performance of Microenterprise Development Organizations. MicroBizNY recommends that the state implement a program to enhance the performance of small business and microenterprise development programs. A coordinated program of capacity-building, technical assistance and performance evaluation for microenterprise/small business development organizations offers the potential to enhance the impact of microenterprise development services across New York State. Microenterprise programs benefit NYS through new business creation, business expansion and job creation. Capacity-building and technical assistance will guarantee performance and the achievement of these objectives. This is an important time to invest in quality micro business development services, to strengthen existing service providers, and to maximize the return of NY's investment in entrepreneurial training and technical assistance services throughout the state.

Microenterprise Employment Statistics in New York

County	Urban or Rural County[8]	Number of Microenterprises: Without Employees[2]	With 1-4 Employees[3]	Total	Total Employment[1]: Microbusiness Employment[4]	Percent of County[5,6]	Total Private-Non-farm Employment
Albany	U	17,246	4,504	21,750	29,149	10.5%	277,979
Allegany	R	2,742	462	3,204	3,963	18.6%	21,334
Bronx	U	91,424	10,098	101,522	118,110	35.3%	334,859
Broome	U	10,202	1,993	12,195	15,469	12.9%	119,552
Cattaraugus	R	4,220	924	5,144	6,662	15.7%	42,434
Cayuga	R	4,171	881	5,052	6,499	17.2%	37,816
Chautauqua	R	7,352	1,601	8,953	11,583	15.9%	72,900
Chemung	U	4,162	830	4,992	6,355	12.9%	49,323
Chenango	R	3,274	534	3,808	4,685	19.0%	24,641
Clinton	R	4,106	975	5,081	6,683	14.9%	44,840
Columbia	R	5,662	1,138	6,800	8,669	26.1%	33,196
Cortland	R	2,493	579	3,072	4,023	15.7%	25,574
Delaware	R	3,759	675	4,434	5,543	19.1%	28,967
Dutchess	U	19,919	4,555	24,474	31,957	20.5%	155,577
Erie	U	42,670	10,939	53,609	71,579	12.8%	561,177
Essex	R	2,963	723	3,686	4,874	21.7%	22,456
Franklin	R	2,700	629	3,329	4,362	18.0%	24,205
Fulton	R	3,030	717	3,747	4,925	17.8%	27,599
Genesee	R	2,996	679	3,675	4,790	15.3%	31,264
Greene	R	3,567	748	4,315	5,544	26.6%	20,871
Hamilton	R	499	151	650	898	31.4%	2,863
Herkimer	U	3,410	668	4,078	5,175	20.3%	25,522
Jefferson	R	5,124	1,284	6,408	8,517	12.0%	71,082
Kings	U	195,879	29,451	225,330	273,709	38.4%	713,449
Lewis	R	1,639	339	1,978	2,535	22.3%	11,372
Livingston	U	3,640	750	4,390	5,622	18.7%	30,010
Madison	U	4,211	818	5,029	6,373	20.1%	31,687
Monroe	U	42,308	8,583	50,891	64,990	13.4%	483,518
Montgomery	R	2,625	669	3,294	4,393	18.3%	23,948
Nassau	U	123,303	31,284	154,587	205,978	25.3%	812,789
New York	U	212,728	61,039	273,767	374,036	13.6%	2,754,620
Niagara	U	9,144	2,375	11,519	15,420	16.7%	92,444
Oneida	U	11,633	2,588	14,221	18,472	13.4%	137,476
Onondaga	U	26,239	5,879	32,118	41,775	13.6%	308,001

Ontario	U	6,601	1,418	8,019	10,348	15.4%	67,179
Orange	U	22,999	5,332	28,331	37,090	20.6%	179,734
Orleans	U	1,845	396	2,241	2,892	18.1%	16,009
Oswego	U	5,744	1,207	6,951	8,934	19.6%	45,670
Otsego	R	4,541	785	5,326	6,616	21.0%	31,544
Putnam	U	8,896	2,019	10,915	14,232	35.4%	40,186
Queens	U	187,325	27,962	215,287	261,220	36.6%	713,328
Rensselaer	U	8,664	1,621	10,285	12,948	18.5%	69,931
Richmond	U	29,662	5,280	34,942	43,616	32.2%	135,438
Rockland	U	23,972	5,984	29,956	39,786	26.4%	150,862
St. Lawrence	R	5,182	1,096	6,278	8,078	15.9%	50,671
Saratoga	U	14,568	2,666	17,234	21,613	19.7%	109,588
Schenectady	U	8,262	1,622	9,884	12,548	16.5%	75,986
Schoharie	U	1,847	365	2,212	2,812	21.3%	13,206
Schuyler	R	1,260	207	1,467	1,807	19.2%	9,408
Seneca	R	1,820	375	2,195	2,811	16.7%	16,855
Steuben	R	5,597	987	6,584	8,205	16.8%	48,714
Suffolk	U	118,139	29,827	147,966	196,963	24.4%	806,747
Sullivan	R	6,004	1,312	7,316	9,471	26.2%	36,212
Tioga	U	2,941	462	3,403	4,162	20.8%	20,031
Tompkins	U	6,827	1,104	7,931	9,745	14.4%	67,657
Ulster	U	15,740	3,055	18,795	23,813	26.9%	88,515
Warren	U	4,826	1,250	6,076	8,129	17.5%	46,447
Washington	U	3,883	652	4,535	5,606	25.0%	22,400
Wayne	U	5,187	1,028	6,215	7,904	21.1%	37,528
Westchester	U	86,207	20,801	107,008	141,178	24.8%	569,230
Wyoming	R	2,120	439	2,559	3,280	17.7%	18,533
Yates	R	1,865	323	2,188	2,719	29.7%	9,141
TOTAL		**1,473,564**	**309,637**	**1,783,201**	**2,291,845**	**20.9%**	**10,952,095**

Microenterprise Employment	
Employees[7]	
Employers	309,637
Non-Employers	1,473,564
Average Rate	1.64

Rural/Urban County Breakout	
Rural Microbusiness Employment	142,136
Rural Non Farm Private Employment	788,440
% of Rural Counties Employed by Micro	18.0%
Urban Microbusiness Employment	2,149,709
Urban Non Farm Private Employment	10,163,655
% of Urban Counties Employed by Micro	21.2%

Microenterprise Business Statistics in New York

	Number of Microenterprises			Number of Businesses	
County	Without Employees[1]	With 1-4 Employees[2]	Total Microenterprises	Total Businesses w/Employees[3]	Percent Microenterprises
Albany	17,246	4,504	**21,750**	9,479	81.36%
Allegany	2,742	462	**3,204**	812	90.15%
Bronx	91,424	10,098	**101,522**	15,507	94.94%
Broome	10,202	1,993	**12,195**	4,298	84.10%
Cattaraugus	4,220	924	**5,144**	1,740	88.31%
Cayuga	4,171	881	**5,052**	1,617	87.28%
Chautauqua	7,352	1,601	**8,953**	3,060	85.99%
Chemung	4,162	830	**4,992**	1,899	82.36%
Chenango	3,274	534	**3,808**	971	89.71%
Clinton	4,106	975	**5,081**	1,932	84.15%
Columbia	5,662	1,138	**6,800**	1,839	90.65%
Cortland	2,493	579	**3,072**	1,093	85.67%
Delaware	3,759	675	**4,434**	1,149	90.34%
Dutchess	19,919	4,555	**24,474**	7,597	89.94%
Erie	42,670	10,939	**53,609**	22,751	81.94%
Essex	2,963	723	**3,686**	1,188	88.80%
Franklin	2,700	629	**3,329**	1,092	87.79%
Fulton	3,030	717	**3,747**	1,218	88.21%
Genesee	2,996	679	**3,675**	1,350	84.56%
Greene	3,567	748	**4,315**	1,197	90.58%
Hamilton	499	151	**650**	205	92.33%
Herkimer	3,410	668	**4,078**	1,147	89.49%
Jefferson	5,124	1,284	**6,408**	2,416	84.89%
Kings	195,879	29,451	**225,330**	43,292	94.21%
Lewis	1,639	339	**1,978**	525	91.40%
Livingston	3,640	750	**4,390**	1,305	88.78%
Madison	4,211	818	**5,029**	1,460	89.88%
Monroe	42,308	8,583	**50,891**	17,086	85.68%
Montgomery	2,625	669	**3,294**	1,157	87.10%
Nassau	123,303	31,284	**154,587**	48,489	89.98%
New York	212,728	61,039	**273,767**	104,317	86.35%
Niagara	9,144	2,375	**11,519**	4,469	84.62%
Oneida	11,633	2,588	**14,221**	4,979	85.61%
Onondaga	26,239	5,879	**32,118**	12,081	83.86%
Ontario	6,601	1,418	**8,019**	2,765	85.62%
Orange	22,999	5,332	**28,331**	9,132	88.17%
Orleans	1,845	396	**2,241**	687	88.51%
Oswego	5,744	1,207	**6,951**	2,102	88.59%
Otsego	4,541	785	**5,326**	1,445	88.97%
Putnam	8,896	2,019	**10,915**	2,992	91.82%
Queens	187,325	27,962	**215,287**	41,130	94.24%
Rensselaer	8,664	1,621	**10,285**	2,982	88.31%
Richmond	29,662	5,280	**34,942**	8,291	92.07%
Rockland	23,972	5,984	**29,956**	9,258	90.15%
St. Lawrence	5,182	1,096	**6,278**	2,081	88.44%
Saratoga	14,568	2,666	**17,234**	4,584	88.69%
Schenectady	8,262	1,622	**9,884**	3,142	86.67%
Schoharie	1,847	365	**2,212**	608	90.10%

Schuyler	1,260	207	1,467	349	91.17%
Seneca	1,820	375	2,195	704	86.97%
Steuben	5,597	987	6,584	1,672	88.15%
Suffolk	118,139	29,827	147,966	47,710	89.22%
Sullivan	6,004	1,312	7,316	2,086	90.41%
Tioga	2,941	462	3,403	789	91.23%
Tompkins	6,827	1,104	7,931	2,212	87.74%
Ulster	15,740	3,055	18,795	4,888	91.11%
Warren	4,826	1,250	6,076	2,329	84.92%
Washington	3,883	652	4,535	1,093	91.14%
Wayne	5,187	1,028	6,215	1,784	89.16%
Westchester	86,207	20,801	107,008	32,371	90.24%
Wyoming	2,120	439	2,559	605	87.49%
Yates	1,865	323	2,188	535	91.17%
TOTAL	1,473,564	309,637	1,783,201	515,705	89.64%

1/ Source: U.S. Census Bureau. Non-Employer Statistics, 2006.
2/ Source: 2006 County Business Patterns, U.S. Dept. of Commerce.
3/ Source: 2006 County Business Patterns, U.S. Dept. of Commerce.

This data was compiled by the Association for Enterprise Opportunity's Managing Director for Policy & Advocacy, Kevin Kelly, and Policy & Advocacy Officer, Ross Kawakami.

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UNYTECH

UNIVERSITIES OF UPSTATE NEW YORK VENTURE FORUM

TESTIMONIAL

To: **Economic Development Budget Hearing**

From: Robert Genco, Chairman, and Judy Albers, Member

Date: January 26, 2010

Re: **The Need for Pre-Seed (Technology Development) and Seed Stage Funding for Unversity-Based Start-Ups**

Recent Reports:

Earlier in 2009, Excell Partners issued a two-part white paper series on *"Venture Capital and Seed Activity in New York State"*. Later in the year, a report was issued by the *Governor's Task Force on Diversifying the NYS Economy through Industry-Higher Education Partnerships*. Both reports looked at leveraging the research and development (R&D) at our universities for economic development gain. Both arrived at similar conclusions, as follows.

An Abundance of R&D:

In NYS, we have extrordinary universities and academic research centers. They are truly one of this state's greatest assets and potentially the key to its future innovation-based economy.

NYS is uniquely home to the SUNY network, two Ivy League institutions, eight other pre-eminent research universities, one national laboratory, and many smaller academic research centers. Our universities alone expend about $4B annually for R&D. These R&D dollars are split almost exactly 50:50 between Upstate and Downstate, i.e., $2B expended at our Upstate universities and $2B expended at our Downstate universities. When we add in expenditures at our other non-university academic centers, such as Roswell Park in Buffalo and Brookhaven National Laboratories on Long Island, the total for academic R&D expenditure in NYS increases to **$4.5B annually**.

With these credentials, NYS ranks #2 in the nation for university-based R&D, second only to California. We conduct more R&D than 48 other states. We conduct more than Texas, more than Maryland, more than Pennsylvania and almost twice as much as Massachusetts.

However, we have a major problem in NYS. We do very little to leverage that R&D. An extremely important question that we need to ask ourselves in New York State is "R&D and Then What!?"

R&D and Then What!?

Our problem in NYS is not that we don't invest in enough R&D at our universities. Our problem is that NYS is significantly behind other comparable states in its ability to get R&D to market via in-state start-up companies. Relatively little of the incredible innovation occuring at our universities is finding its way into the commercial market. Relatively little is being done to leverage that R&D for economic development purposes, i.e., to build companies, generate revenues, and create jobs.

The Excell papers provide data to highlight the fact that compared to any other state in the nation, NYS has the greatest unexploited opportunity to create jobs by building companies based on academic R&D. Only California has greater opportunity but they are exploiting it!

In addition to the reports we have already cited, yet another was released in September 2009 by the Center for an Urban Future entitled *"Building New York City's Innovation Economy"*. This report was focused exclusively on NYC and arrived at the following conclusion: *"Academic research institutions have sparked significant economic growth in cities from Boston to San Diego; but while New York is practically unrivaled in the depth of its scientific research, the city's universities and research centers have not yet emerged as powerful engines of local economic development."*

It appears that an abundance of data is being compiled to validate the fact that the enormous amount of R&D in NYS is not effectively being leveraged either Upstate or Downstate to create new companies and jobs.

A Lack of Seed Capital:

Why is that?? As committee members of UNYTECH, many of us represent university-based Technology Transfer offices across NYS. **As Tech Transfer officers, our job is to transfer technologies out of the universities. We are uniquely situated to see first hand what we believe is a major source of the problem.** There is a severe lack of pre-seed and seed capital in NYS to launch spin-out companies and get them through the "Valley of Death".

The Valley of Death is the stage of a company's development when it is pre-revenue. Pre-seed and Seed stage companies are not attractive candidates for venture investors. It is after the seed stage that VCs start to invest. So, what are we doing in NYS to get our companies through the Valley of Death?

In 2006, NASVF[1] conducted a survey called "State Commitments to Current Capital Programs". Their focus was on state funds that provide research, pre-seed, seed, venture, mezzanine and late stage capital, grants and development loans. While states such as California, Pennsylvania, Maryland, and Texas all ranked at or near the top, NYS ranked #25 ... below West Virginia, Alabama, South Dakota, Arkansas, Maine and Idaho.

These statistics tell us what many of us already know. That compared to other states, relatively little is being done by NYS to help capitalize start-up companies.

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[1] National Association of Seed and Venture Funds, 2006 Survey, "State Commitments to Current Capital Programs"

The Solution:

NYS must support not just R&D, but the commercialization of that R&D. Two types of state-supported funds are needed.

First, we must establish **"Technology Development Funds"**. This would be a grant program to be administered at the university-level to potential companies that are in the final stages of proving out their technology and at the beginning stages of exploring their business case and writing a business plan. Small **pre-seed** grants, typically between $25-75K would be awarded to develop these high-potential technologies. We propose a $6 million fund annually to fund 120 technologies across New York State.

Second, we must establish a **State-Supported "Seed Fund."** This is not a new concept. The majority of states, especially those with significant academic R&D capacity, have state-supported funds. In fact, Pennsylvania, Maryland, and Massachusetts have had state-supported seed funds (committing millions of dollars annually) for the last 25 years. Equity investments, typically between $250-750K would be awarded to high-potential start-ups. We propose a $25-40 million fund annually to fund 50-60 start-ups across New York State. As a matter of best practices, co-investing with the private sector, most likely the Angel community, to provide matching capital, is recommended.

To maximize the effectiveness of these funds, we strongly recommend that they be managed regionally, not centrally controlled through Albany.

$eed-NY:

We acknowledge that Governor Patterson recently announced in his State-of-the-State address the establishment of a **$25M New Technology Seed Fund.** It is not clear if this is a **technology** development fund or a **seed** fund or both. It is also not clear if this is an <u>annual</u> commitment or not.

If this is a one-time allocation, then we would like to express a concern. For example, a five year fund would allow $5M to be invested per year. $5M divided by about $500K per company provides seed funding for only 10 companies per year for all of New York State. However, using industry metrics, we have calculated that, given $4.5B annually in R&D, we could potentially start between 50-60 companies across NYS per year. While a $25M seed fund is a good start, we would advocate for an annual allocation. We would also like to advocate that a portion of that be cordoned off for a Technology Development Fund.

We would also like to note that the best state-supported funds are <u>profit-motivated</u>. For example, in Pennsylvania, from 2002 through 2006, the Ben Franklin Funds invested $140M in more than 500 companies but received back $517M (which is a better than 3.5X ROI). At the same time, the funds boosted Pennsylvania's economy by $9.3B and generated 10,165 job-years in industries that pay 33% above average salary.

Pennsylvania's commitment to supporting seed stage start-ups could explain why the state ranks #3 in the nation for employment generated from venture capital backed startups and #5 in revenues generated by VC-backed companies. NYS is at #8 in both categories, trailing such states as Georgia, Washington, Tennessee and Virginia.[2]

More than Money:

Granted, the successful commercialization of university technologies will require more than just money. Once our companies are funded, we must keep them in-state and ensure their success! We must continue to support and further build the entrepreneurial ecosystem both Upstate and Downstate. This includes affordable space, educational programs, and venture forums at all levels. We also need to attract management talent, possibly through the recruitment of successful entrepreneurial alumni and ex-patriots.

Conclusions:

Our primary conclusion is simple. We must ask ourselves the question: R&D and Then What!? **We simply cannot invest $4.5 Billion annually in R&D without considering and recognizing what comes next!** We cannot just invest in R&D and then believe that, like magic, and with no other dollars invested, there will be start-up companies. We must recognize that after R&D, modest dollar amounts (in a relative sense) are needed to commercialize the technologies that result from R&D.

Therefore, in summary, we would like to re-emphasize three main points:

1) We strongly support the establishment of both a <u>Technology Development Fund</u> and a <u>state-supported Seed Fund</u>
2) We strongly recommend that those funds be administered <u>regionally</u>, and
3) We strongly advocate for a significant <u>annual</u> commitment to this initiative -- funding that is allocated *over too many years* will result in *too little funding per year* to have an adequate impact.

We believe that with a serious commitment on the part of NYS to funding start-up companies and supporting the development of an entrepreneurial ecosystem in New York State, the result will be an Innovation-Based Economy for NYS. This is true, long-term, visionary economic stimulus, well worth the cost in the state budget.

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[2] Venture Impact, 4th Edition, Global Insight.

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Jason Kramer
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Testimony Submitted To:

New York State Legislature
Joint Budget Committee on Economic Development

February 1, 2010
Hearing Room B
Legislative Office Building
Albany, New York

NYSHEI represents public and private academic and research libraries

Introduction

Chairman Farrell, Chairman Kruger, Assemblymember Schimminger, Senator Stachowski and others, I thank you for this opportunity.

I represent the New York State Higher Education Initiative (NYSHEI). NYSHEI speaks on behalf of the public and private academic and research libraries of New York State. Among our members are the entire State University and City University systems, most private institutions, including Columbia, Cornell, Syracuse and New York University, and other elite research institutions, from the Roswell Park Cancer Center to the New York Public Library.

Recommendations

Upstate New York has long suffered with the decline of a manufacturing economy. Now, the downstate metropolitan area must confront severe damage to its finance-driven economy. Our state is headed towards bankruptcy, and our citizens continue to head elsewhere seeking opportunity.

It is time to leverage our remaining, and greatest resource - our intellectual capital – to create economic growth that can sustain us through the information age.

- Leverage higher education.

Task forces, reports, commissions, programs and studies have repeatedly emphasized the need to leverage the academy for the benefit of industry. However, all policy initiatives have failed to pursue the fundamental goal of making the academy's greatest asset – information – widely accessible. As a result businesses, researchers and entrepreneurs are forced to expend significant dollars to gain ***access to information that has already been purchased by the public*** through its support for higher education.

In 2009, each house of the legislature unanimously approved a measure (A.7229/S.5419) to make information resources widely available. In his veto (#80 of 2009) the Governor did not cite policy concerns with this legislation, only cost concerns.

Incorporating that proposal, known as the Academic Research Information Access (ARIA) act, into the myriad budgetary and policy changes under consideration would bring this popular and necessary measure to fruition.

- Make incentive programs both more focused and flexible.

The expiration of the Empire Zone program forces careful assessment of the cost and value of that program. Already, Governor Paterson has advocated replacing Empire Zones with the "Excelsior Jobs" program. In doing so the Governor threatens to cut current Empire Zone spending by a startling ***60 percent***. As you know, this will decrease the available job creation incentives.

The aforementioned ARIA could be developed as part of the Excelsior Jobs program and used to ameliorate the cuts proposed by the Governor.

A strategic investment in ARIA would make the highly expensive and sought-after information resources of higher education freely and remotely available to small businesses and entrepreneurs, thus dramatically ***lowering the cost of business*** for those engaged in the innovation economy.

Equally important, ARIA would correct a particular shortcoming of Empire Zones. In serving as ***a benefit to particular industry sectors*** (science, technology, engineering, medicine) rather than specific geographic locations, information resources would be available statewide yet providing the most assistance to exactly the type of information age undertakings needed to resurrect our economy.

- Lead public-private partnerships.

Public and private institutions of higher education are already attempting to collaborate to lower costs. This, however, is not enough. With your leadership campus resources, particularly costly information resources, can be spread to Empire Zones, Centers of Advanced Technology, incubators, entrepreneurs and others who work and create jobs off-campus.

The ARIA plan, when enacted, will leverage a direct benefit through economies of scale of ***greater than $8 for each dollar invested***. Significantly, ***fifty cents of each dollar will come from public and private campus sources***. That is value.

Once in the hands of countless entrepreneurs and innovators throughout New York, the overall return on investment is inestimable. These job creators will realize the immediate benefits of no longer having to procure or otherwise obtain costly information resources, and broad vistas of possibility will be open to them on a newly accelerated ***process that begins with an idea and ends at the marketplace.***

On behalf of the member libraries of NYSHEI I thank you for this opportunity.