

Economic Development

Overview

Over the past two years, New York State has deployed new economic development strategies that have transformed the relationship among government, academia, and the private sector to attract investment and create jobs. Regional Economic Development Councils have replaced top-down development with an approach that enables each region to shape its own economic future. The New York Works Task Force, comprised of leading finance, labor, planning, and transportation professionals, has begun reinventing State economic and capital planning by coordinating capital plans across 45 agencies and authorities, overseeing investment in projects, and accelerating hundreds of vital projects across the State. Capitalizing on the wealth of innovation and high-technology development that comes from our SUNY system, Governor Cuomo launched NYSUNY 2020, a sustained, competition-based model to support job growth through our universities. A new focus on helping the State's emerging industries has begun, evidenced by special programs to support New York's wine, beer and spirits sector and our burgeoning Greek yogurt industry.

The 2013-14 Executive Budget continues this transformation with new programs and increased investment that will focus on accelerating the commercialization of new technology to create new businesses, providing additional resources for regional economic strategies guided by the Regional Economic Development Councils, and marketing the State's tourism assets to bolster economic growth, especially Upstate.

Proposed 2013-14 Budget Actions to Implement the Governor's State of the State and Other Initiatives

- **Fostering "Tech Transfer" – from Academia to Commercialization.** The Executive Budget provides funding for a multi-faceted plan to foster the commercialization of innovative ideas from our academic institutions. Key components of the plan include:
 - **Innovation Hot Spots.** The Innovation Hot Spots program will create or designate ten high-tech innovation incubators at locations affiliated with higher education institutions to encourage private-sector growth. Each Regional Economic Development Council will designate an existing or newly created incubator for the region and five winners will be designated in each of the next two years to receive benefits and support. Designated Innovation Hot Spots will become tax-free zones where start-ups and other businesses tied to the incubator will be exempt from business and sales taxes for a five-year period. The incubators will help to foster innovation and commercialization by offering inventors and entrepreneurs a low-cost, collaborative environment within which to work, and access to essential shared business services. An initial \$1.25 million will be available to provide operating support for winning Hot Spots, growing to \$5 million as the program is fully actualized.

- **The NYS Innovation Venture Capital Fund.** A new \$50 million venture capital fund will provide critical seed and early-stage funding to incentivize new business formation and growth in New York State and facilitate the transition from ideas and research to marketable products. The need for this investment is demonstrated by the fact that, while New York universities rank second nationally in total research spending with nearly \$4 billion spent annually (California ranks first with \$6.5 billion), only 4.6 percent of that New York spending is sponsored by industry. Furthermore, New York attracts only four percent of the nation's venture capital investment (California attracts 47 percent). This new program will strengthen the university/industry connection and prepare New York businesses to compete for venture investment. The Fund will be administered through Empire State Development (ESD) to help these nascent businesses develop to a stage where they can attract private-sector financing. Program funding will be sourced from the New York Power Authority and funds redirected from underutilized investment programs administered by ESD.
- **The Innovation NY Network.** To facilitate and enhance the commercialization process, Governor Cuomo has proposed creating the Innovation NY Network to build collaboration among academics, venture capitalists, business leaders, patent lawyers and other professionals. The Network will promote knowledge transfer and mentoring from successful entrepreneurs and experienced product developers to emerging New York innovators seeking to launch products and establish new businesses. The organization will be established on a university-based, not-for profit foundation model, and will not require taxpayer support.
- **Regional Economic Development Councils.** In 2011, Governor Cuomo established ten Regional Economic Development Councils (REDCs) to develop long-term regional strategic economic development plans. Since then, the REDCs have awarded over \$1.5 billion in State funding through a competitive process to spur job creation based on regional priorities. The first round of funding has already leveraged close to \$5 billion in total project investment statewide. The 2013-14 Executive Budget includes core capital and tax-credit funding that will be combined with a wide range of existing agency programs for a third round of REDC awards. The Governor will continue to make resources available from other State agencies to support community revitalization and business growth consistent with the existing Regional Council plans through the Consolidated Funding Application process. The core funding includes:
 - \$150 million in flexible new economic development capital funding – appropriated to ESD to fund regional priority projects;
 - \$70 million in State tax credits – set aside from the Excelsior Jobs tax credit program to fund regional priority projects;
- **New York Works Economic Development Fund Program.** The Executive Budget includes \$165 million to provide capital grants that support job creation and retention and fund capital investments that facilitate business expansion and the attraction of new businesses.

- **Market NY.** To bolster Upstate economic growth, the Governor has proposed a multi-faceted marketing plan that includes:
 - **Competitive Tourism Advertising Funds.** \$5 million in new competitive funding will be provided through the Department of Economic Development (DED) to support winning tourism marketing plans that best demonstrate regional collaboration among counties to promote regional attractions.
 - **Taste-NY.** \$2 million will be provided to implement the Taste-NY initiative, which will promote locally grown or produced food products, beer, wine and spirits or other New York-made goods through a two-part strategy that combines development of retail venues with aggressive marketing and branding. In high traffic rest areas, train stations and airports across New York, the State will establish “Taste-NY”-branded retail stores, carts, and next-generation luxury vending machines to sell predominantly New York State products free of all sales tax to the consumer.
- **Commitment to Western New York/Buffalo.** The Executive Budget provides an additional \$100 million in funding as part of the Governor’s ten-year \$1 billion commitment to revitalize Buffalo’s regional economy, including \$75 million in new capital funding and \$25 million in tax credits from the enhanced Excelsior Jobs Program. The Budget also includes over \$60 million in State funding to support the recently announced multi-year agreement to keep the Buffalo Bills in Western New York, including a \$54 million State contribution towards \$130 million in capital improvements to Ralph Wilson Stadium.
- **NYSUNY 2020 and NYCUNY 2020.** The Executive Budget includes \$55 million for a third round of NYSUNY 2020 grants and \$55 million for a new NYCUNY 2020. This \$110 million in new funding will offer additional grants for two- and four-year colleges and universities within both the SUNY and CUNY systems. Projects will be selected in a competitive manner based on economic impact, advancement of academic goals, innovation and collaboration. These programs will continue Governor Cuomo’s place-based regional economic development initiative, linking the knowledge and innovation of higher education to regional economic revitalization through large and small businesses.
- **New York Open for Business.** Supported by \$50 million in New York Power Authority resources, the Open for Business initiative will continue to provide an enhanced marketing effort to demonstrate the benefits of investing and doing business in New York.

Other Budget Actions

- **State Data Center Transfer.** To better align programmatic priorities with agency core missions and to enhance efficiency, the Executive Budget authorizes the transfer of the State Data Center (which maintains Census Bureau data) and associated funding from DED to the Department of Labor. The Data Center is the primary and most comprehensive source for economic and demographic data, tracking the trends of the State of New York, its businesses and people.
- **Continued Commitment to Critical Economic Development Investments.** The 2013-14 Executive Budget includes nearly \$46 million to support ongoing economic development initiatives including: the New York State Economic Development Fund, the Minority and Women-Owned Business Development and Lending Program, the Urban and Community Development Program, the Entrepreneurial Assistance Program, tourism marketing initiatives, and international trade efforts.

- **Continued High Technology Funding.** The 2013-14 Executive Budget authorizes over \$32 million to support ongoing university-based matching grants and other high technology and research and development programs administered by DED's Division of Science, Technology and Innovation.
- **Mitchell-Lama Affordable Housing Program Transfer.** As part of the House NY Program, the Mitchell-Lama affordable housing asset portfolio will be transferred from ESD to Homes and Community Renewal (HCR) to preserve over 8,600 units of affordable rental housing throughout the State.
- **Reform of the Workers' Compensation System.** The Executive Budget contains a series of reforms which will benefit all businesses with employees by reducing the cost of purchasing workers' compensation insurance. Reforms will provide \$900 million in savings to employers by reducing assessments and streamlining the system, while a new bonding program will assist 10,000 businesses in defaulted trusts resolve their liabilities. These reforms result in significant economic benefits to businesses in the State without affecting the rights of workers.