

Economic Development

*Department of Economic Development
Empire State Development Corporation
Foundation for Science, Technology and Innovation
Olympic Regional Development Authority*

I. Overview

The State's economic development programs are administered by three entities. The Department of Economic Development (DED) provides policy direction and manages marketing and advertising activities to promote tourism and new business investment in New York. The Empire State Development Corporation (ESDC) is a public authority that fosters and finances key economic development projects across the State. The Foundation for Science, Technology and Innovation (NYSTAR) administers programs to expand university-based research and technology.

II. History/Context

The mission of the State's economic development agencies is to stimulate economic growth and job creation by fostering business development, enhancing industrial competitiveness, revitalizing downtown areas, advancing high technology, and promoting tourism. Economic development programs have provided tax incentives to businesses through the Excelsior, Empire Zone, Brownfields and Film Tax Credit programs and made targeted grants, loans and capital investments throughout the State.

Despite significant State investment in economic development, programs and policies driven by Albany have not done enough to create jobs and attract new investment to New York's communities. From 2000 to 2010, private sector employment declined statewide by 2.1 percent, or 150,000 jobs, and declined by 38.4 percent, or 288,000 jobs, in the manufacturing sector. Yet over the same period, economic development spending has increased dramatically, growing from \$448 million to \$1.6 billion. Although spending has risen, the State's return on its investment has been difficult to quantify. Businesses participating in programs have not been held accountable for job growth and regional efforts to forge effective development plans have been superseded by priorities set in Albany.

III. Proposed 2011-12 Budget Actions

By refocusing economic development efforts through regional decision-making, the 2011-12 Executive Budget implements the Governor's proposals to reform, redesign and recalibrate the delivery of economic development programs and to promote competition that drives results-oriented investments that will create jobs and make New York more competitive in the national and global economies. Major actions include the following:

- **Decision-making will be Made Through Regional Economic Development Councils.** The Executive Budget establishes 10 Regional Economic Development Councils to create a more regional approach to allocating economic development funding. This process will engage local stakeholders in developing and executing sustainable long-term economic development strategies and enable the councils to act as one-stop shops for all State-supported economic development and business assistance programs.
- **Maximizing Economic Development Funds to Regional Initiatives.** The Executive Budget redirects more than \$340 million in existing economic development capital resources for major regional initiatives. These funds will be used to: provide more than \$130 million for competitively determined economic development projects put forward by the Regional Councils; support a \$100 million Economic Transformation Program that will assist areas of the State that are impacted by correctional and youth facility closures; provide \$100 million for the Metropolitan Transportation Authority capital program; and allocate \$10 million toward the State's commitment for the New York City Empowerment Zone.
- **Strengthening the Excelsior Jobs Program.** The Excelsior Jobs Program was created in 2010 to provide job creation and investment tax credit incentives to businesses in targeted industries. To increase the program's economic development potential, the Executive Budget includes initiatives to produce better results for New York's strategic industries — high-tech, biotech, manufacturing, agribusiness and financial services — by enhancing the available tax credits and improving the program's responsiveness.

IV. Summary of Spending (All Funds)

Category	2010-11 (\$ in millions)	2011-12 (\$ in millions)	Change	
			Dollar (in millions)	Percent
Capital Disbursements*	1,050	757	(293)	(28)
Operations	27	23	(4)	(15)
Programs	52	48	(4)	(8)

*The 28 percent decrease in capital spending is the result of one-time, prior-year project authorizations such as Global Foundries and the Aqueduct VLT Facility, as well as numerous capital spending re-estimates.

V. Major Initiatives

Gap-closing Actions

Proposal	2011-12 (\$ in millions)	2012-13 (\$ in millions)
Merge NYSTAR into ESDC	1.9	2.0
Ten Percent General Fund State Operations Reduction	2.5	2.5
Total	4.4	4.5

- Merge NYSTAR into ESDC.** The consolidation will streamline service delivery, achieve performance improvements, create organizational efficiencies and eliminate duplicative functions. All NYSTAR programs will be transferred to ESDC for review by the Regional Councils to ensure consistency with regional plans. *(2011-12 Value: \$1.9 million; 2012-13 Value: \$2 million)*
- Ten Percent General Fund State Operations Reduction.** The Executive Budget will decrease General Fund spending for State agency operations by 10 percent through a redesign effort focused on rightsizing government, increasing efficiencies, as well as by reducing workforce spending. Governor Cuomo intends to partner with State employee labor unions to achieve these workforce savings; if negotiations are not successful, significant layoffs are likely. *(2011-12 Value: \$2.5 million; 2012-13 Value: \$2.5 million)*

Other Budget Actions

- **Regional Economic Development Councils.** The 10 Regional Councils, to be chaired by Lt. Governor Robert Duffy, will promote partnership with the private sector, foster effective communication between the State and the regions, and recognize the critical role that colleges and universities play in creating jobs and attracting companies. The Councils will compete for economic development grants and develop a strong performance management system to guide the State's future economic development investments.

Regions will compete for funding based on the best jobs development plans. Businesses and other local entities will be able to apply for State funds through the Regional Council structure. Approved projects will be consistent with long-term economic development strategies developed by each Regional Council.

These new Regional Councils will consist of local business, community, academic, municipal, State government, labor and other key regional stakeholders. Each Regional Council will be responsible for developing a long-term economic development strategy, coordinating all economic development resources from State agencies and authorities, and reviewing all previous economic development commitments to ensure projects demonstrating the greatest benefit to the State receive the limited State resources available. Funding for the Regional Councils will come from redirecting existing uncommitted economic development funds, with \$200 million in competitive resources to be provided, as follows:

- \$130 million in capital funding from reprioritizing existing economic development funds; and
 - \$70 million in tax credits from the enhanced Excelsior Jobs Program.
- **Economic Transformation Program.** Funding of \$100 million will be made available to communities adversely affected by future correctional and youth facilities closure. In consultation with the new Regional Councils, those communities will be able to use the funds to leverage private sector investments that create jobs and support initiatives that transform their economies.

- **Excelsior Jobs Program.** Within the existing cap, the 2011-12 Executive Budget will revise the Excelsior Jobs Program to produce better results for New York's strategic industries by enhancing the tax credits available and improving the program's responsiveness as follows:
 - Extend the Excelsior Jobs Program tax benefit period from five to 10 years;
 - Revise the Excelsior Jobs Tax Credit to be based upon the projected income tax receipts for each new job, rather than up to \$5,000 per new job;
 - Enhance the Excelsior Research & Development Tax Credit to be equal to 50 percent of the taxpayer's actual Federal research and development credit;
 - Base the Excelsior Real Property Tax Credit (RPTC) on the value of a property after improvements, rather than prior to investment; and
 - Enhance the responsiveness, accountability and transparency of the program through administrative changes, including allowing Excelsior participants to access all New York State research and development tax credits, and authorizing utilities to offer discounted gas or electric rates.
- **Excelsior Linked Deposit.** The 2011-12 Executive Budget will increase the lifetime limit on low-interest loans permitted by the Linked Deposit Program from \$1 million to \$2 million to expand utilization of the program and to make more dollars available for New York's small businesses to grow and create new jobs.
- **Continued Commitment to Critical Economic Development Investments.** As in the 2010-11 budget, nearly \$52 million will be available to support ongoing economic development initiatives including: the Empire State Economic Development Fund, Minority and Women-Owned Business Development and Lending programs, the Urban and Community Development Program, the Entrepreneurial Assistance Program, the retention of professional football in Western New York, tourism marketing initiatives and international trade efforts.
- **Continued High Technology Funding.** As in the 2010-11 budget, an aggregate amount of \$35.9 million, is provided to support ongoing university-based matching grants and other high technology and research and development programs previously administered by NYSTAR.

