

**SFY 2005-2006 Subcommittee on Economic Development
Report to the General Conference Committee**

To: Senate Majority Leader Joseph L. Bruno, Co-chair
Assembly Speaker Sheldon Silver, Co-Chair
Joint General Conference Committee

From: Senator William Larkin, Co-Chair
Member of Assembly Robin Schimminger, Co-Chair
Joint Conference Committee on Economic Development

Subject: Detailed Report of the Conference Committee on Economic Development

Date: 3/22/2005

On March 22, 2005, the Economic Development Conference Committee completed its work and presented a general report to the General Conference Committee. We are pleased to present this report which provides detail on all the budget changes agreed to by the subcommittee, including the specific allocation of the Conference Committee's target.

The Conference Committee reached agreement on General Fund spending levels and Article VII proposals for the agencies under the jurisdiction of this committee as follows:

Department of Economic Development
Office of Science, Technology and Academic Research (NYSTAR)
Urban Development Corporation

The Conference Committee allocated funding as follows:

Local Zone Administration of Empire Zones: Restore the **\$2.3 million** eliminated by the Executive for the local administration of Empire Zones.

The Conference Committee resolved the following Article VII issues:

Operation SPUR: Reject SPUR and reprogram the \$10 million proposed for the Executive's SPUR initiative to create a legislative initiative, which is yet to be named. The new joint initiative contains elements of both the EXCELL-NY and RISE initiatives. The details of the agreement are outlined in an attachment. The following points offer a brief overview of the agreement:

OVERVIEW: The following reflects a conceptual agreement on a new, to-be-named initiative in the SFY 2005-06 Budget as negotiated and advanced by the Economic Development Conference Committee.

PURPOSE: The new legislative initiative will empower the State's various regions to design and implement comprehensive regional economic development strategies based on the strengths, resources and needs specific to each region, in order to ensure that all regional economies within the State can compete in the global economy.

STATEWIDE ENTITY: The New York State Foundation for Science, Technology and Innovation is created, from the former state agency, NYSTAR, as a public benefit

corporation.

FOUNDATION BOARD: The Foundation shall be governed by a 13-member Board of Directors.

FOUNDATION PROGRAMS/FUNDS: Upon appointment, the Foundation Board will design programs and investment funds that will be available for the purposes of regional economic development. The Board will provide oversight of such programs and funds, but shall not have authority over the day-to-day operations or funding of the regional organizations that the Board certifies as regional development partners.

REGIONAL DEVELOPMENT PARTNERS: The Foundation board, once appointed, will issue Requests for Proposals (RFP) for up to ten regional development partners, provided that all regions conform to the economic development regions specified in Economic Development Law.

FOUNDATION FUNDS/PROGRAMS: The Foundation Board shall have the authority to create funds and programs that will facilitate efforts by the Foundation and its regional development partners to increase business expansion and job growth.

ACCOUNTABILITY: The program will be subject to high standards of review and oversight to ensure that all State funding is used only for the purposes identified by the Foundation.

Empire Zones: There is a conceptual agreement on extending the Empire Zone program which sunsets March 31, 2005. The outline of this conceptual agreement follows, with the understanding that these points are agreed to in the context of an overall Empire Zone agreement.

- All present certified businesses to be grandfathered regardless of whether or not they are within contiguous areas.
- 12 new zones over 4 years.
- Sunset date of July 1, 2015.
- Zone boundaries to be reconfigured prospectively to facilitate clustering, with local flexibility to accommodate significant projects or new cluster needs.
- Manufacturing businesses that create 50 or more jobs may be certified any where in the a zone.
- Establish two-track benefit scheme based on job creation in distressed areas and in manufacturing and technology industries. Other new certified business benefits tied to revised job growth and investment requirements.
- Benefit term for new certified businesses limited to 10 years.
- Require that new business submit to a cost benefit formula for local board certification.
- Agricultural Cooperatives provided with similar tax benefits to all other businesses.
- Accountability of the Local Zone Boards along with Statewide Zone Control Board.
- Five member Statewide Zone Board to approve new zones and annual boundary amendments by unanimous consent of the three voting members consisting of appointments by Temporary President of the Senate, Speaker of the Assembly and the Governor (Minority Leader of Senate and Assembly appoint one non-voting member each).
- Annual reports from State Agencies regarding fiscal impacts of zone benefits.

New York Sports and Convention Center: the \$300 million bonding authorization is not needed at this time.

Military Bases: In the absence of a resubmitted Executive Budget, the \$3 million lump appropriation that provides money for the redevelopment of military bases should be lined out in Article VII language for the following: \$1,400,000 for Plattsburgh; \$100,000 for Seneca Army Depot; \$1,400,000 for Griffiss Air Base; and \$100,000 for Niagara Air Base.

Cornell Supercomputer funding: Provide funding for operations at \$1.2 million in SFY 2005-06.

Empire Development Fund: Extend the Empire Development Fund for one year.

Minority and Women-Owned Businesses: Line out the \$3.4 million appropriation for Minority and Women-Owned Businesses in the Article VII language. Sub allocations include \$1.0 million for the CDFI (Community Development Financial Institutions) program, \$1.3 million for the EAP (Entrepreneurial Assistance Program), \$535,000 Linked Deposit Loan program.

UDC Corporate Funds Interchange Language: Provide Article VII language that extends fund interchange requirements for UDC corporate funds for SFY 2005-06.

UDC Loan Powers: Extend the loan authority of UDC for one year, until July 1, 2006.

The Conference Committee moves the following issues for the General Conference Committee to resolve:

Military Base Lobbying: The Economic Development Conference Committee could not come to an agreement on retaining or cutting the Executive's proposed additional \$1,000,000 in funding for lobbying Washington to retain all existing New York bases and would request the guidance of the GCC on this matter.

Power For Jobs: The Economic Development Conference Committee could not come to an agreement on the length of the extension or the parameters of the Power For Jobs program.

New York State Technology & Development Program: The Committee was unable to reach a consensus for the allocation of a \$250.0 million capital appropriation submitted by the Governor.



Senator William Larkin, Co-Chair
Joint Conference Subcommittee on Economic Development



Member of Assembly Robin Schimminger, Co-Chair
Joint Conference Subcommittee on Economic Development

APPENDIX
EXCELL-NY/RISE PARTNERSHIP OUTLINE

- I. OVERVIEW:** The following reflects a legislative agreement on a new, to-be-named initiative in the SFY 2005-06 Budget as negotiated and advanced by the Economic Development Conference Committee:
- II. PURPOSE:** The new legislative initiative will empower the State's various regions to design and implement comprehensive regional economic development strategies based on the strengths, resources and needs specific to each region, in order to ensure that all regional economies within the State can compete in the global economy.
- A. By building on considerable State and private investments in the high-technology infrastructure, the initiative will facilitate innovation, business expansion and job growth.
 - B. The program provides expedited funding, business and legal expertise, and regional networks for commercialization, workforce training and State and local government resources, to businesses and entrepreneurs that demonstrate acute potential for economic growth and job creation.
 - C. While the program stresses the need for business innovation, most notably in the high-technology sectors, the initiative will enhance opportunities for expansion across all economic sectors, including high-tech and low-tech manufacturing and other traditional industries.
- III. STATEWIDE ENTITY:** The New York State Foundation for Science, Technology and Innovation is created, from the former state agency, NYSTAR, as a public benefit corporation.
- A. All existing programs currently in NYSTAR are transferred to the new Foundation, as are all existing employees of the agency.
 - B. The Foundation is charged with the oversight of all programs, including the newly created regional development partners.
 - C. The Foundation also shall develop and implement a statewide technology investment and development strategy that conforms to the strengths of each of its regional development partners and conducts a thorough accounting of all current State initiatives to further high-technology or business growth.
- IV. FOUNDATION BOARD:** The Foundation shall be governed by a 13-member Board of Directors.
- A. The Executive Director of the Foundation shall be a permanent member of the Board, and shall be appointed by the Governor, subject to the consent of the Senate.
 - B. Seven members of the Board shall be currently employed within the private-sector and will be appointed in the following manner: three by the Governor, two by the President Pro Tem of the Senate and two by the Speaker of the Assembly. Private sector members shall be appointed with consideration for the greatest possible representation across all business fields, including venture capital, high-technology, research and development industries, as well as from the minority and women-owned business communities.
 - C. The Chairman shall be appointed from among the private-sector members of the Board by the Governor. All other Board officers shall be elected by a majority of the Board.
 - D. Five members of the Board shall be appointed from the academic, government and workforce training and development communities in the following manner: three by the Governor, one by the President Pro Tem of the Senate and one by the Speaker of the Assembly.
 - E. The Board will also have non-voting members from each of the certified regional development partners.
- V. FOUNDATION PROGRAMS/FUNDS:** Upon appointment, the Foundation Board will design programs and investment funds that will be available for the purposes of regional economic

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development. The Board will provide oversight of such programs and funds, but shall not have authority over the day-to-day operations or funding of the regional organizations that the Board certifies as regional development partners.

A. The Board shall provide for routine and timely certification of its regional development partners and shall have the authority to revoke the certification of any partner organization that it deems to have insufficiently fulfilled the mission for which it was certified.

VI. REGIONAL DEVELOPMENT PARTNERS: The Foundation board, once appointed, will issue Requests for Proposals (RFP) for up to ten regional development partners, provided that all regions conform to the economic development regions specified in Economic Development Law.

A. The RFPs will solicit development strategies from regional organizations that identify what Foundation programs and funds will best suit their regional development strategies.

B. The responses to RFPs will also include detailed information on a regional organization's marketing strategies, project selection, and ability to leverage non-State funds.

C. Each regional organization shall have membership from local economic development organizations and regional Centers for Excellence, or other research institutions where applicable. Regional organizations may also have membership from the following: private industry, community colleges, universities, commercial lending institutions, venture capital firms, labor organizations and all other areas that demonstrate expertise in a specific region's economic development.

D. Each regional organization will designate a single entity for the purpose of coordinating and implementing Foundation programs and funds that shall be a not-for-profit organization. This organization will be in charge of the administration of all Foundation programs and funds. The Foundation RFPs, where applicable, shall stress the preference for past experience with State programs and funding for those entities that would be designated with the administrative functions of the regional development partner in its certification of the regional partners.

E. The Foundation will require in its RFPs that all applicant organization's partners submit a formal statement of cooperation that defines all responsibilities that each shall have should the organization be certified as a regional development partner.

VII. FOUNDATION FUNDS/PROGRAMS: The Foundation Board shall have the authority to create funds and programs that will facilitate efforts by the Foundation and its regional development partners to increase business expansion and job growth. The Foundation funds and programs shall include the following:

A. The EXCELL-NY Foundation Fund: this fund shall provide financial assistance, through grants, loans, equity investments or a combination thereof, for businesses and facilities that are involved in the commercialization of innovative business products and processes. Eligible costs shall include operating expenses and capital investments, provided that such costs conform to State laws and regulations in all cases in which State funding is involved. The Fund shall provide financing through the following programs:

1. Facilities Development Program – The program shall provide financing to facilities to assist in the formation of companies and product development.
2. Innovation Investment Program – The program shall provide financing to early-stage companies that demonstrate acute potential for growth and innovation. Available Foundation funding shall be between \$25,000 and \$250,000.
3. Emerging Investment Program – The program shall provide financing to businesses in the stage of product development. Investment sizes shall be between \$250,000 and \$750,000.

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4. Business Acceleration Program – The program shall provide financing to revenue-generating businesses to accelerate their expansion towards profitability and job creation. Investment sizes shall be between \$750,000 and \$1,000,000.
 5. NYSEED Venture Program – NYSEED Venture Program – The program shall provide financing to allow investment in regional funds which will provide essential capital for business formation and development
- B. The Regional Innovation through Scientific Entrepreneurship Fund: this fund shall provide operating assistance which shall be made available to emerging high technology companies, community colleges, and facilities that are equipped with resources appropriate to different sectors, for the purposes of commercialization enhancement and pre-venture product and business development. The Fund shall provide financing through the following programs:
1. Industry-University Facilities Operating Program: The program shall provide aid to facilities, including New York State Centers of Excellence and Gen*NY*sis Centers and other institutions authorized pursuant to this article, that are equipped with technology transfer resources and engaged in industry and university research, for the purposes of developing industry and university research and development partnerships and for implementing statewide programs that benefit other Centers of Excellence, Gen*NY*sis Centers and other institutions authorized pursuant to this article, private industry and other research and development institutions.
 2. Community Colleges/Academic Research Institutions Curriculum Alignment Program: The program shall provide assistance for alignment of SUNY and CUNY community colleges with high-tech industry clusters and academic research institutions through the development of specialized curricula which meets the needs of merging businesses for technicians and other skilled workers.
 3. Incubator Assistance Program: The program will assist in fostering and encouraging new, high tech businesses to survive during the early stages of business operations by providing grants to for-profit and not-for-profit business incubators for shared entrepreneurship development, administrative, telecommunications, and technical services.

- VIII. ACCOUNTABILITY:** The program will be subject to high standards of review and oversight to ensure that all State funding is used appropriately for the purposes outlined above.
- A. Routine audits or other accounting requirements shall be conducted independently for the regional development partner organizations and the Foundation.
 - B. An annual report shall be required to be issued by the Foundation that shall identify all of the Foundation's programs, partner organizations and funds. The annual report shall provide a performance review of all relevant programs and funds, based on each program's ability to facilitate business expansion and job creation.
 - C. The Foundation shall conduct a review of all other State-funded development projects that it works with in order to report to the Legislature and Governor on the activities of these projects and their contribution to business development, job growth and regional and State economies.