

Midwest and Great Lakes Economic Development Summit  
**NEW YORK STATE REPORT**

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## **Economic Development Strategy**

New York continues to refine its overall economic strategy to focus on regional economies and on targeted industry sectors. This works best within the context of a coordinated interagency effort, drawing on economic development, education, and workforce expertise. The important first step was to identify relevant agencies and to align their respective regional definitions to create a single operational map.

An ongoing initiative is the participation of high level state-agency leaders as well as organized labor and the private sector in an NGA-sponsored Sector Strategies Policy Academy. The Policy Academy will facilitate stakeholder consensus as to a strategy for targeting the state's diminishing economic development and workforce resources to four strategic industry sectors: advanced manufacturing, healthcare, and green/renewable energy. New York State's vision for sector strategies has two goals: 1) to create employment opportunities that move low-wage workers into self-sufficiency; and 2) to create significant employment in emerging high-wage, high-value industries in which there is substantial private investment.

Gubernatorial support for developing comprehensive economic development policy is evidenced by the creation of three additional guidance bodies, the Economic Security Cabinet, the Higher Education Task Force and the Renewable Energy Task Force. These groups will develop policy on moving lower wage workers into family-sustaining work and the creation of a world-class university system to support economic development priorities.

## **Manufacturing**

The state has identified advanced manufacturing as a targeted sector for workforce and economic development efforts. Large initiatives targeted by the state include nanotechnology, bioinformatics, and clean technologies. The state's Manufacturing Extension Partnerships<sup>1</sup> are strategic partners in a number of state grants and funding initiatives, including the 10 Regional Technology Development Organizations.<sup>2</sup> New York has made special workforce-related investments with manufacturing-specific grants including:

- Skilled Manufacturing Resource Training Grants and Lean/Six Sigma Grants
- Incumbent worker training grants to manufacturing concerns
- Grants for workers directly engaged in process improvement techniques
- Grants to provide training sessions in Lean Manufacturing/Six Sigma.

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<sup>1</sup> <https://maroon.nist.gov/pub/centers.mep?type=lookup&id=NY>

<sup>2</sup> <http://www.nystar.state.ny.us/rtdcs.htm>

These four manufacturing based incumbent worker training grant programs made awards, over the last five years, to some 267 business entities totaling over \$21.75 million and providing training that impacted 46,104 workers.

With firm-specific incentives, New York State uses an industry-cluster approach to build dynamic capacity within high value-adding sectors, such as bio-pharmaceutical and medical device manufacturing. While New York does seek to attract out-of-state manufacturers to relocate within the State, the primary strategy focuses on building capacity and competitiveness in our resident manufacturing base. A number of programs are targeted at existing manufacturers:

The Manufacturing Assistance Program<sup>3</sup> assists manufacturers with 50 or more employees, making capital investments of at least \$1 million in machinery and equipment. This is a performance-based incentive grant that requires substantive improvements to production output and productivity, and foregoes traditional economic development requirements for job creation or full retention.

Smaller manufacturers can apply for Industrial Effectiveness Program<sup>4</sup> grants for consulting services to improve productivity and also from the Linked Deposit Program which reduces the cost of borrowing for small and medium manufacturing competitiveness projects by up to three percentage points for projects located in a distressed area.

The Environmental Investment Program<sup>5</sup> provides capital grants for investments in manufacturers expanding recycling capacity or reducing pollution and provides research and development grants to manufacturers and the technology development organizations working with them to test the development of new products and process technologies that expand recycling capacity or reduce pollution.

The manufacturing sector is a key driver of economic activity and growth in every region of New York State, and especially in the seven upstate regions where it remains the dominant economic engine, supporting a high quotient of indirect employment in supply and service chains.

## **Workforce**

Our state workforce strategy is in the process of being aligned with our state economic development strategy through a focus on industry sectors and regional economies.

Regional Incentives - Recently our state workforce system invested over \$4 million in grants to regional partnerships to develop regional economic transformation strategies through a sector or cluster based approach.

Sector Investments - Nearly \$23 million in Strategic Training Alliance Program (STRAP) grants have been awarded to upgrade the skills of over 30,000 workers, many in high technology sector jobs. This effort was further enhanced by High Tech grant awards,

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<sup>3</sup> [http://www.empire.state.ny.us/Manufacturing\\_&\\_Environment/manufacturing\\_assistance\\_program.asp](http://www.empire.state.ny.us/Manufacturing_&_Environment/manufacturing_assistance_program.asp)

<sup>4</sup> [http://www.empire.state.ny.us/Manufacturing\\_&\\_Environment/industrial\\_effectiveness.asp](http://www.empire.state.ny.us/Manufacturing_&_Environment/industrial_effectiveness.asp)

<sup>5</sup> [http://www.empire.state.ny.us/Manufacturing\\_&\\_Environment/Environment/default.asp](http://www.empire.state.ny.us/Manufacturing_&_Environment/Environment/default.asp)

totaling over \$15 million, which trained approximately 4,000 workers in the technology sector from 2001 through 2003.

ADVANCE-NY and Building Skills in New York State (BUSINYS) were incumbent worker training programs that provided funds to for-profit and not-for-profit private sector businesses to train workers in specific transferable needed by that business or industry and that led to potential career growth and increased wages. During the five and one-half years that these programs operated, over 1,650 businesses were awarded funding totaling over \$68.4 million and provided training to some 84,000 workers.

New York was one of five states investing in the development of a National Work Readiness Credential. [www.workreadiness.com](http://www.workreadiness.com) <<http://www.workreadiness.com/>> . This credential assesses skills in reading, math, problem solving, and communications. It is designed to provide a portable, national certification affirming that individual job seekers have demonstrated the knowledge and skills needed for successful performance as entry-level workers.

As part of its strategy the state's Workforce agency funded 10 Career Mapping projects in different regions of the state totaling approximately 1.4 million dollars. These projects were targeting specific industry sectors and developing career maps to move entry level workers up through higher paying careers within the industry. The Workforce system has recently supported the use of distance learning as a training alternative by making 1.3 million dollars available to fund distance learning pilots. Currently 26 of the 33 areas in the state have adopted these pilots.

## **Transportation & Logistics**

The New York State Department of Transportation (NYSDOT) is the lead agency for transportation and logistics, but works increasingly closely with relevant agencies including the Department of State, the Department of Environmental Conservation, and Empire State Development.

*State Priorities on Transportation Infrastructure/How Progress is Measured:* Preservation and modernization of New York's aging transportation infrastructure are primary objectives. NYS Transportation Plan<sup>6</sup> guides the allocation of limited financing resources to achieve a good state of repair for all modes of transportation. The Plan uses a Performance Management System to report annually on progress toward meeting goals in five Priority Result Areas (PRAs):

1. Mobility and Reliability
2. Safety
3. Security
4. Environmental Sustainability
5. Economic Competitiveness.

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<sup>6</sup> <https://www.nysdot.gov/portal/page/portal/main/transportation-plan/transportation-plan>

*Harmonize Transportation Decisions with Economic Development, Housing and Environmental Goals:* NYSDOT works closely with related state and local entities to ensure that transportation decisions are compatible with, and enhance, economic development, housing, community development and environmental objectives. Examples include:

- Collaborating on Transportation Oriented Development (TOD) planning with the Smart Growth Office in the Department of State
- Consulting with Empire State Development on various intermodal planning studies
- Coordination on the new State Rail and Freight Planning Efforts
- Participation in the interagency Main Street Working Group

*Fix It First Policy:* Priority consideration is generally given to repair absent compelling reasons to finance a system expansion.

*Fund Allocation Between Inter-City and Local/Regional Trips Purposes:* At a state level, NYSDOT coordinates transportation resources with the multitude of state agencies and public authorities operating transportation systems. NYSDOT also coordinates priorities for transportation improvements locally within the 13 Metropolitan Planning Organization areas and with local governments in the non-metro areas of the State.

*Funding for Transportation and other Infrastructure Items:* Financing sources include the General Fund, General Obligation (voter-approved) debt, local municipal funding, public authority bonds, user fees, federal FTA and FHWA funding. In 2007, roughly \$1.3 billion in federal funds and \$4.3 billion in state funds (which includes user fees and bond proceeds) were dedicated to transportation. Generally, 12% of financing is federal, 15% is state, 17% is local, 23% is bond-financed, and 33% is from user fees.

*State Broadband Policy:* The NYS Broadband Council was created in 2007 to ensure that every New Yorker has access to affordable, high-speed internet service. It comprises members from State and local governments, libraries, municipal associations, economic development agencies, secondary and higher education and telecom providers.

## **Technology Commercialization and More General Use of Universities**

Through the New York State Foundation for Science, Technology and Innovation (NYSTAR), New York administers a number of programs focused on using research universities as economic development engines through both technology commercialization and support of research in general. Two primary vehicles for the support of technology commercialization are the Centers for Advanced Technology (CAT) and the Technology Transfer Incentive programs.

NYSTAR has designated 15 CATs throughout New York State in various technological fields.<sup>7</sup> These CATs work directly with businesses to help the companies move their technologies and products further into the marketplace. Each CAT receives approximately \$1 million annually for both general operating support and participation in research projects undertaken with industrial partners.

The Technology Transfer Incentive Program provides funding to research universities to help move technologies and products off the shelf and into the marketplace.<sup>8</sup> Assistance is provided to specific university-industry projects to further the technologies developed by either the university or the company with the goal of those products being in the marketplace within two years of the completion of the project.

The Small Business Technology Investment Fund (SBTIF) provides early seed-stage investments in emerging technology companies, typically in partnership with other regional venture capital and angel funds.<sup>9</sup>

New York also provides funds competitively to universities for recruitment and retention of top research faculty through NYSTAR's Faculty Development<sup>10</sup> and Young Investigator programs.<sup>11</sup> These programs provide financial support for faculty who have a track record of leveraging federal or industrial research dollars (or who have significant potential to do so) and who have entrepreneurial history with start-up companies.

The Center of Excellence (COE) program was created to foster collaboration between the academic research community and the business sector to develop and commercialize new products and technologies, to promote critical private sector investment in emerging high technology fields, and to create and expand technology-related businesses and employment.<sup>12</sup> Six COEs have been designated in this \$300 million program, with focuses on the following areas: nanotechnology, bioinformatics, photonics, wireless networking, environmental & energy systems, and small-scale systems integration and packaging.

## **Clean Tech & Energy Efficiency**

NYS takes both a regulatory approach and a direct project-based approach to support clean-tech development and energy efficiency goals. Regulatory aspects include the Renewable Portfolio Standard, the Systems Benefit Charge, the 15x15 Executive Order, and the Task Force on Renewable Energy; project-specific initiatives include providing direct incentives to new generation and firm-based expansion.

The *Renewable Portfolio Standard* was adopted in 2004,<sup>13</sup> directing investor-owned utilities to collect charges from ratepayers to finance production incentives to reach a 24% RPS target of retail electricity. RPS project grants are awarded competitively through the New York State Energy Research and Development Authority (NYSERDA).

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<sup>7</sup> <http://www.nystar.state.ny.us/cats.htm>

<sup>8</sup> <http://www.nystar.state.ny.us/ttip.htm>

<sup>9</sup> <http://www.nystar.state.ny.us/sbtif.htm>

<sup>10</sup> <http://www.nystar.state.ny.us/fdp.htm>

<sup>11</sup> <http://www.nystar.state.ny.us/jdw.htm>

<sup>12</sup> <http://www.nystar.state.ny.us/coes.htm>

<sup>13</sup> <http://www.nyserda.org/rps/about.asp>

The *Systems Benefit Charge* finances,<sup>14</sup> through ratepayer charges, the New York Energy Smart Program, which includes energy efficiency programs and research through infrastructure development, peak demand management, research, and provision of energy services to low-income New Yorkers. The budget is nearly \$900 million over the period 2006-2011.

The "15x15" goal was adopted by Executive Order in 2007 with the mission of reducing the State's fossil fuel energy consumption by 15% by 2015 primarily through reducing peak demand and replacing heavily-polluting plants with new renewable generation facilities.

*Task Force:* As Lt. Gov., now-Governor Paterson convened a high-level Task Force on Renewable Energy. In February, the Task Force issued a report<sup>15</sup> with detailed recommendations on establishing New York as a leader in green and renewable industries and on reducing New York's reliance on fossil fuels. These recommendations included adopting a net-metering law to stimulate private investment in solar and other renewable energy generation. Net metering has since been enacted.

*Project-specific initiatives:* The State's economic development agencies focus significant effort and resources to identifying and promoting opportunities for growth in renewable-energy, clean tech, and advanced manufacturing industries. State investment is coordinated among multiple agencies and public authorities (e.g., Agriculture & Markets, the NYS Energy Research and Development Agency, Empire State Development) and is directed not only to large projects, but also to projects that act as a catalyst or cornerstone for further private investment. Examples include reopening a shuttered Globe Metallurgical facility to produce silicon used in solar panel manufacturing and providing seed money to firms working with the Hudson Valley Solar Consortium, focusing on-solar energy research and production.

## **Productive Metros**

In 2007, Governor Spitzer unveiled a City-by-City initiative as part of the New York's plan to reinvestment in upstate New York. Types of projects included in the City-by-City initiatives include the demolition and site preparation of Rochester's abandoned urban-center Midtown Plaza; for construction of the University of Rochester's Clinical and Translational Science Institute; for improvements to the Syracuse University / City of Syracuse Connective Corridor, a signature urban design project; for housing in the Fort Drum area; and for inner and outer harbor revitalization efforts in Buffalo.

In 2008, a \$120 million Regional Blueprint Capital Fund was created, reflecting the need to move away from a "one-size-fits-all" approach. These funds will be competitively administered by the state's economic development agency, and will build on a series of Regional Blueprint sessions convened by the Governor during the fall of 2007. Projects will be chosen based on how they enhance the specific region's economic advantages.

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<sup>14</sup> <http://www.dps.state.ny.us/sbc.htm>

<sup>15</sup> [http://www.ny.gov/governor/press/lt\\_0225081.html](http://www.ny.gov/governor/press/lt_0225081.html)

The \$300 million Restore-NY program was enacted in 2006 to provide matching funds to municipalities to revitalize urban areas and stabilize neighborhoods as a means to attract residents and business. Projects given a priority in the competitive process were from economically distressed communities but were able to leverage other state or federal redevelopment, remediation or planning programs assistance.

## **Revenues and Subsidies**

### MANUFACTURING/PRODUCTION AND FINANCIAL SERVICES

*Investment Tax Credit:* Credit equals 5% of investment (up to \$350 million; 4% rate on amount over \$350 million and for personal income taxpayers) for qualifying property used in production (manufacturing, processing, assembling, agriculture), financial services, qualified film production facilities, or research and development. An additional R&D rate of 9% (7% for personal income taxpayers) is available for qualified investment.

### EMERGING TECHNOLOGIES

*Qualified Emerging Technology Company Facilities, Operations and Training Credit:* This three part credit for qualified emerging technology companies is the sum of:

- 18% of the cost of "research and development property"
- 9% for "qualified research expenses"
- 100% of "qualified high technology training expenditures" up to \$4,000 per employee per taxable year.

*Qualified Emerging Technology Employment Credit:* up to \$1,000 per new full-time employee (employees in excess of base year employment level), available for one 3-year period.

### ENVIRONMENT/ENERGY

*Green Buildings Credit:* The credit includes six components based on the capitalized costs (excluding land costs) of constructing green buildings, rehabilitating buildings to become green buildings, and purchasing and installing fuel cells, photovoltaic modules and environmentally sensitive non-ozone depleting refrigerants.

*Brownfield Cleanup Credits:* Substantial and refundable credits are available to taxpayers that have executed a "Brownfield Cleanup Agreement" with DEC and have received a remediation certificate pursuant to such agreement.

*Biofuel Production Credit* of 15 cents-per-gallon after the production of the first 40,000 gallons of biofuel (including biodiesel and ethanol) per year presented to market.

### FILM/TV INDUSTRY

*Empire State Film Production Credit:* A credit equal to the product of 10% and the qualified production costs paid or incurred in the production of a qualified film,

provided that at least 75% of the production costs (“stagework”) are spent in New York State.

*Empire State Commercial Production Tax Credit:* A credit available to a taxpayer that is a qualified commercial production company, or a partner of a partnership (including a member of a limited liability company that is treated as a partnership for federal income tax purposes) that is a qualified commercial production company.

#### EMPIRE ZONE PROGRAM

The Empire Zone program offers multiple tax credits to qualified firms located within one of 82 designated zones. These credits include an enhanced investment tax credit for qualified investments (10%; 8% for personal income taxpayers), a Wage Tax Credit of up to \$3,000 per job for targeted hires over five years, and enhanced property and sales tax incentives for EZ-certified companies increasing employment.