

Legislative Update from the New York State Assembly

Committee on Economic Development

Carl E. Heastie, Speaker • Robin Schimminger, Chairman

September 2018



Dear Friend,

The Assembly Standing Committee on Economic Development, Job Creation, Commerce and Industry this year continued its mission aimed at helping to stimulate our State's economy through the enacted Fiscal Year 2018-19 State budget and through legislation advanced by the Committee. As always, the primary concern of the Committee remains to promote policies and funding that support business development and job growth throughout the State.

This year's budget continued the State's strong commitment to long-standing, proven and effective programs that explore and encourage new and emerging technological research and development, which translates into viable economic development. Many of these economic programs thrive due to their partnerships with our State's colleges and universities located from Buffalo to Long Island and from Plattsburgh to Binghamton. The Centers for Advanced Technology, Centers of Excellence, Technology Development Organizations and Manufacturing Extension Partnerships all received funding through the budget and their missions continue to be strongly supported by the Committee. These programs continue to support the State's efforts to invest in high technology, which continues to be a strong growth sector for our economy. Also included in this year's budget was another round of funding for the Governor's Regional Economic Development Councils (REDC) program.

Another area over which the Committee has jurisdiction relates to legislation and policies affecting the Alcoholic Beverage Control Law. This year, the Committee tailored a new farm license for the production of mead and bragot, which are honey-based alcoholic beverage products. Such farm-based licenses support two industries: agriculture and the production of alcoholic beverages.

Should you have questions on any of these items, please feel free to contact me.

Sincerely,

A handwritten signature of Robin Schimminger.

Robin Schimminger, Member of Assembly

Chair, Assembly Standing Committee on Economic Development, Job Creation, Commerce and Industry

Fiscal Year 2018-19 Enacted State Budget

The Committee has long advocated for policies that support and promote economic development and job creation throughout the State. In the New York State budget, funding for economic development programs is provided through allocations to the Department of Economic Development and the Urban Development Corporation. Funding through these programs is typically in the form of loans, grants, tax credits, and other financial assistance to local governments, businesses, and not-for-profit corporations in order to develop stable and growing local economies. The Committee supported key initiatives to boost New York's economy, help create jobs, and facilitate opportunities for small businesses and entrepreneurs. The following are budget highlights that affect economic development programming contained in the State Fiscal Year 2018-19 budget:

University-Based Programs

- \$13.818 million for the 15 existing Centers for Advanced Technology (CATs), which collaborate with New York companies on the development of new technologies and products and create new businesses and high-quality jobs throughout the State;
- \$9 million for the nine existing Centers of Excellence, which are collaborative public-private partnerships that commercialize scientific discoveries in such fields as nanoelectronics, bioinformatics, photonics, environmental systems, wireless applications, and information technology. This budget funds the nine current Centers of Excellence at \$1 million each. Additionally:
 - \$1 million was allocated to Cornell University to create a Center of Excellence in Food and Agriculture Innovation in Geneva, New York;
 - \$873,000 was allocated to Rensselaer Polytechnic Institute, Rochester Institute of Technology, and New York University to create a Center of Excellence in Digital Gaming Development;
 - \$250,000 was allocated for the new SUNY Albany Center of Excellence in the Data Science in Atmospheric and Environmental Predictions and Innovation; and
 - \$750,000 was allocated for the New York Medical College Center of Excellence in Precision Responses to Bioterrorism and Disasters;

Business Assistance

- \$9.470 million for the Manufacturing Extension Partnership Program;
- \$6 million for the High Technology Matching Grants Program;
- \$921,000 for the Industrial Technology Extension Service Program;
- \$5 million for the New York State Innovation Hot Spots/ New York State Incubators;
- \$500,000 for a new Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) Technical Assistance Program;
- \$1.99 million for the Technology Development Organizations;

- \$1.795 million for the Community Development Financial Institutions (CDFI) Program;
- \$1.76 million for the Entrepreneurial Assistance Program (EAP); and
- \$1 million for the Minority- and Women-Owned Business Development and Lending Program and to recapitalize the Minority- and Women-Owned Business Investment Fund;
- \$3 million for SUNY Polytechnic Institute College of Nanoscale Science and Engineering and Rensselaer Polytechnic Institute focus centers;

Economic Development

- \$200 million for the New York Works Economic Development Fund;
- \$26.18 million for the New York State Economic Development Fund;
- \$300 million for the High Technology Innovation and Economic Development Infrastructure Program;
- \$600 million for the Life Sciences Laboratory and Public Health Initiative in the Capital District;
- \$44.5 million is allocated for economic development initiatives of the State. Such funds may be used for promoting tourism and expanding business investment and job creation in New York State, including through the Open for Business Program, the Global NY initiatives and trade missions, and the START-UP NY program (provided that no more than 60 percent of the funds used for START-UP NY shall be for advertising and promotion outside the State of New York);

Commerce, Regional Economic Development, Trade and Tourism

- \$150 million for the Regional Economic Development Councils (REDCs);
- \$3 million for military base retention and research efforts;
- \$200,000 for the Manufacturers Association of Central New York;
- \$50,000 for the Buffalo Niagara International Trade Gateway Organization;
- \$50,000 for the World Trade Center Buffalo Niagara;
- \$200,000 for Canisius College;
- \$200,000 for the Finger Lakes Tourism Alliance;
- \$100,000 for the Lake Ontario and Thousand Island Tourism Promotion;
- \$900,000 for the Bronx Overall Economic Development Corporation;
- \$500,000 for the Brooklyn Chamber of Commerce;
- \$500,000 for the Queens Chamber of Commerce;
- \$100,000 for the New Bronx Chamber of Commerce;
- \$150,000 for the Staten Island Economic Development Corporation;
- \$100,000 for the Chamber of Commerce of the Borough of Queens;

...cont. inside

Round VIII: Regional Economic Development Council Funding

The state's ten Regional Economic Development Councils (REDCs) were established by action of the Governor in 2011 as his vehicle to provide a regional approach to economic development. The Councils, consisting of representatives of business, academia and local government selected by the Governor in each region, created strategic plans for their regions and compete annually against the other REDCs for funds. The Fiscal Year 2018-19 State budget included \$150 million in capital resources to fund an eighth round of competition for funds, which the Governor will combine with other State agency resources under his control for a total of approximately \$750 million in State support for REDC initiatives. The FY 2018-19 budget also provides an additional \$100 million for a third round of the Governor's Downtown Revitalization Initiative (DRI) competition. This initiative is intended to aid in the transformation of 10 selected downtown communities across the state per year. Each REDC recommends the downtown area to receive funding in its region using criteria outlined in the state's Consolidated Funding Application (CFA). The 2018 REDC and DRI awards will not be announced until later this year. Additional information and access to the CFA can be found through the New York State Regional Economic Development Councils website at <http://regionalcouncils.ny.gov>.

N.Y.S. Business Public Awareness Campaign

The Committee also worked on legislation to require Empire State Development (ESD) to establish and implement a public awareness campaign designed to promote New York State's existing businesses as well as create an internet website directory. Specifically, ESD would have until January 1, 2020 to begin the awareness campaign and would be required to submit an annual report to the Governor and the Legislature by December 1st of each year regarding actions taken by ESD to carry out the public awareness campaign.

Frequently, New York businesses buy goods and services from companies outside of their community and even outside of New York State when those same goods and services may very well be available locally and at a competitive rate. The public awareness campaign would simply act as a business networking website that would help spur local and in-state economic development. The bill would also ensure that a directory of exclusively New York domiciled businesses is developed that has detailed information on products and services that businesses in our State provide and that other businesses in or outside of New York State could seek out. (A.6175-A, Schimminger, passed both Houses)



Chairman Schimminger paid another visit to the General Motors Tonawanda Engine Plant in his Assembly district earlier this year. Here he's pictured with the facility's newly-named Plant Manager Ram Ramanujam and UAW Local 774 Shop Chairman Chuck Herr. As the initial phase of a multi-year commitment to invest nearly \$300 million in the plant, GM recently announced that the Tonawanda plant will add a new product line – a new type of more fuel-efficient V-8 engine that can automatically switch from one to eight cylinders as needed.

Craft Beverage Industry

The Committee's responsibility with regard to the Alcoholic Beverage Control (ABC) Law is to ensure the safe and lawfully controlled manufacturing, distribution and sale of alcoholic beverages in the State. In addition, the Committee has also recognized the changing market for alcoholic beverage products in relation to agri-business, tourism, manufacturing, distribution and the expansion of local craft beverage markets in the context of economic development. The associated chart provides a snapshot into the current complexity and growth of the craft alcoholic beverage manufacturers licensed in New York State.

► New York State Labeled Mead and Braggot

This session the Legislature, working with the State Liquor Authority, passed legislation that would create a new Farm Class License, the Farm Meadery License, for the creation of New York State Labeled Mead and New York State Labeled Braggot. Mead is a honey-based alcoholic beverage that is also referred to as "honey wine." Braggot, like mead, is honey-based, but is classified as a beer. This legislation was patterned after the Farm Cidery License law enacted in 2013.

Under this legislation, to qualify as a New York State labeled product, producers would be required to use at least 51 percent New York State produced honey as part of their fermentation process. New York State is one of the top honey producers in the country, and as such this legislation would benefit our agricultural sector as well as providing another avenue for honey producers to expand their markets. The requirement that New York State products be used in production is similar to other farm-based alcohol production licenses, which benefit the agriculture sector of our economy by spurring growth in the use of New York State apples, hops, barley, grapes, and other ingredients which must be utilized in the production of New York State labeled craft beverages. (A.11113, Schimminger, passed both Houses)

► Custom Distillers

Another measure that the Committee developed was a bill recently signed into law that will authorize a farm licensed distillery, also known as a Class D Distiller, to engage in custom liquor production for a non-licensed individual for personal use. By authorizing licensed Class D distillers to offer custom liquor production to individuals, this measure may potentially reduce financial risks that these distillers undertake by allowing the farm distilleries to produce liquor to order for financial remuneration. Under this new law, a farm distillery could take orders for custom liquor before it goes into production. They would know up-front what ingredients they would need and how much would be needed. This knowledge would reduce the distillery's risk on the initial outlay of resources and allow for individuals to be involved in producing their batch of custom liquor. Ultimately, individuals would learn about how flavor is affected by the regions, seasons, soil and

water conditions, microbes, and so on in order to formulate their own distinct custom liquor. This measure will allow for greater parity among New York State's farm based alcoholic beverage industries. (A10128-A, Schimminger, Chapter 193 of the Laws of 2018)

Growth in the craft beverage industry has also been fueled by the new entrepreneurial opportunities created by changing and evolving consumer preferences and the State's action to revise laws helping this industry to meet current and future market demands while encouraging production and growth in innovative or niche sectors of the industry. The Committee will continue its efforts aimed at modernizing the law and, specifically, reducing outdated and superfluous restrictions in the ABC Law.

New York State Craft Beverage Industry – Manufacturers Craft Beverage Summit 2012* – June 20, 2018

License Type	Current as of 6/20/2018	As of 2012 Summit	Added Since 2012 Summit	% Increase Since 2012 Summit
Farm Distiller Branch	10	0	10	n/a
Distiller Class A	1	1	0	0%
Distiller Class B	3	1	2	200%
Class A, B, C [a b c] Distiller	75	27	48	178%
Farm Winery	351	254	97	38%
Farm Winery Branch	86	35	51	146%
Winery	99	70	29	41%
Farm Brewery	213	0	213	n/a
Farm Brewery Branch	35	0	35	n/a
Micro Brewery	208	78	130	167%
Restaurant Brewery	45	19	26	137%
Brewery	11	6	5	83%
Hard Cider	24	22	2	9%
Farm Cider	42	0	42	n/a
Farm Cider Branch	8	0	8	n/a
All Manufacturers	1342	541	801	148%

Source: New York State Liquor Authority, June 20, 2018

*The first Empire State Beer, Wine, Spirits and Cider Summit was held in October of 2012

Excelsior Linked Deposit Program

The Committee advanced legislation to increase the lifetime cap on the amount a company may borrow through the State's Excelsior Linked Deposit Program (LDP). Created in 1994, the award-winning LDP leverages low-interest loans to small and medium-sized businesses in New York State from participating banks and other lenders, which, in turn, are recipients of state deposits that earn a comparably reduced rate of return. Over the years, the LDP has been expanded several times by increasing the amount of state deposits available for loans, making additional types of businesses eligible for linked loans and raising the limit for individual loan amounts. This year's bill would assist companies in making investments to expand or improve performance or competitiveness that are critical to their continued growth and financial stability by increasing the total maximum amount of linked loans an individual business could receive from \$2 million to \$5 million. To date, 71 companies have reached their lifetime maximum – 18 in 2017 alone.

The LDP is available to borrowers such as manufacturing firms with 500 or fewer full-time employees based in New York State, as well as service businesses that are independently-owned and have 100 or fewer full-time employees in the state. Companies apply for the loans at the participating financial institutions, which make the lending decisions and service the loans. The state's role is limited to approval of the project's eligibility by Empire State Development (ESD). Most businesses qualify for up to a two percent interest rate reduction, while others like agricultural firms, technology and innovation businesses, MWBE and Empire Zone-certified businesses and those located in highly-distressed areas qualify for up to a three percent reduction. There are currently 74 lenders participating in the LDP. Information and applications for the Linked Deposit Program can be found at <https://esd.ny.gov/linked-deposit-program>. (A.8117, Schimminger, passed Assembly)



Ben Rand, President of Insite Consulting, Western New York's regional technology development center (RTDC), regularly updates Chairman Schimminger on the organization's activities. The original model for the state's network of non-profit RTDCs, Insite Consulting, initially called the Western New York Technology Development Corporation, provides growth and innovation services to small and mid-sized manufacturers in the region to help them create and retain jobs, increase profits, and save time and money. For information, log onto www.insite-consulting.com or call 716-636-3626.

Fiscal Year 2018-19 Enacted State Budget...cont.

- \$100,000 for the New York Women's Chamber of Commerce;
- \$400,000 for the Community Development Revolving Loan fund;
- \$600,000 for the Center State Corporation for Economic Opportunity Program;
- \$500,000 for Center State CEO Grants for Growth;
- \$200,000 for Adirondack North Country, Inc;
- \$1 million for the Beginning Farmers NY fund; and
- \$300,000 for the North Country Chamber of Commerce.

Welcoming the New Subcommittee on the Internet and New Technology

This year, Assembly Speaker Carl Heastie created a new Subcommittee on the Internet and New Technology within the Committee on Economic Development, Job Creation, Commerce and Industry to better understand and respond to legislation and policies related to the onset of new and emerging technology and the potential effects on the economy. The Subcommittee has already begun to examine how to integrate emerging technology with State economic development.

To further the Assembly's understanding of new technology and its continued role on economic development, the Standing Committee on Economic Development, Job Creation, Commerce and Industry and the new Subcommittee on the Internet and New Technology, together with the Assembly Standing Committee on Governmental Operations,

hosted a roundtable discussion on May 31, 2018, in Albany, to discuss emerging technology issues including the following topics: block chain technology, artificial intelligence, cyber security, crypto currency, digital currency, distributed ledger technology and quantum computing. The roundtable brought stakeholders from industry, academia, and regulatory agencies together to provide the Committees with a better understanding of the importance of each topic, as well as provide for an understanding of the implications of such legislation and their effect on public policy. There are several pieces of legislation that are being developed as a result of this roundtable. I look forward to continuing to work with the Subcommittee Chair on technology-related legislation and events.



The leadership of the Manufacturers Alliance of New York State paid a visit to Chairman Schimminger's Albany office in March to discuss efforts to boost manufacturing in the state including legislation the Assemblyman is co-sponsoring to extend the zero percent corporate income tax rate to all manufacturers in the state, not just those organized as C corporations.

Front row, left to right: Randy Wolken, Manufacturers Assn. of Central New York; Michael Ernenwine, Lockheed Martin; Scott Armstrong, Armstrong Communications; Chairman Schimminger; Patrick O'Donnell, Momentive Performance Materials. Back row, left to right: Jeff Gray, Monofrax LLC; Matthew Miles, C&S Companies; Paul Henry, The Bonadio Group.

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