



Dear Friend,

The Assembly Committee on Economic Development, Job Creation, Commerce and Industry played a key role in helping to shape provisions in the enacted 2014-15 state budget aimed at spurring investment and job growth in New York State.

There was a renewed appropriate focus on manufacturing with a reduction in the corporate franchise tax rate for many manufacturers as well as a new state tax credit for local property taxes paid by manufacturing companies. In addition, many small businesses will benefit from reform of the state's estate tax, which has forced far too many family businesses to be sold or closed rather than being passed along to family members upon an owner's passing.

The state's Regional Economic Development Council process continues with another round of funding for local projects, while the state's 10 cutting edge Centers of Excellence target innovation and high-tech companies.

Also, legislation was enacted to assist businesses owned by service-disabled veterans in obtaining a larger share of state contracts, as well as a measure to boost the growing agritourism and craft beverage industries.

Should you have questions on any of these items, please feel free to contact me at schimmingerr@assembly.state.ny.us.

Sincerely,

EASING THE TAX BURDEN ON MANUFACTURERS

A provision included by the Legislature in this year's 2014-15 state budget essentially eliminates the alternative method used by most manufacturers to determine their corporate franchise tax. New York State's corporations must calculate their state corporate tax liability using four alternative methods, and then pay the highest amount calculated. Prior to this tax cut, many manufacturers paying their taxes under the "net income" alternative were faced with a 7.1 percent tax rate on their annual income, while certain qualified manufacturers paid corporate taxes at a rate of 5.9 percent. With the new tax rate reduction to 0 percent on the "net income" method beginning with the 2014 tax year, the state is easing the burden on one of the key employment sectors in the state, manufacturing. This action will help manufacturers in New York save nearly \$200 million annually.

In addition, as part of this year's state budget we included a new 20 percent tax credit against state personal income or corporate franchise taxes for real property taxes paid by manufacturers. By providing a tax credit to offset local property tax liabilities by 20 percent, we will assist manufacturers in becoming more competitive through the reduction of their fixed operational costs with no adverse impact on local governments. We expect these credits will save manufacturers some \$100 million per year and will stimulate economic growth and increase employment in the manufacturing sector.

REGIONAL ECONOMIC DEVELOPMENT

In 2011, the Regional Economic Development Council program was created to establish a competitive process and a more regional approach to economic development in collaboration with community leaders in each of the state's 10 economic development regions.

The fourth round of Regional Economic Development Council program funding was approved by the Legislature in this year's budget. A total of \$220 million – \$150 million in capital funding and \$70 million in tax credits through the Excelsior Jobs Program – will go to projects identified by the councils. The deadline to submit a Consolidated Funding Application (CFA) to the councils this year was June 16, 2014, and funding awards are expected to be announced by the Governor this fall.

Additional CFA funding of up to \$530 million is available through state agency recommendations. Programs administered through Empire State Development consist of grants, tax reductions, and even the elimination of tax liability for eligible businesses.

The following chart provides a sampling of the funding provided through the regional councils over the past three years:

Funding Source	Amount
New York Main Street Program	\$4 million
Local Waterfront Revitalization	\$11.7 million
Energy Efficiency Programs	\$50 million
Workforce Development	\$5 million
NYS Community Block Grant Program	\$25 million



BOOSTING HERITAGE TOURISM. Assemblyman Schimminger and Peter Welsby, Project Manager at Hohl Industrial Services in Tonawanda, inspect progress on one of the replica lock gates the company recently fabricated before Hohl transported them to Lockport for installation on the Erie Canal's historic "Flight of Five" locks. The massive 9,500 pound solid white oak gates are for the first two of five timeworn locks dating back to 1864 when the original canal was first enlarged. The locks are now being restored in stages. After being replaced a century ago by a pair of larger locks when the state's Barge Canal System was last expanded, the "Flight of Five" became a picturesque remnant that served only as a spillway for the canal. It's anticipated that a fully restored and operational "Flight of Five," complete with a period-accurate wooden packet boat currently being designed that will navigate through the refurbished locks, will spur additional tourism development in Western New York.

BROWNFIELD CLEANUP TAX CREDITS EXTENDED

A measure extending the state's Brownfield Cleanup Program tax credits and providing new funding for the State Superfund program was passed by the Legislature this year.

Brownfields are dormant properties where the presence or potential presence of contamination has impeded site redevelopment, turning the properties into environmental and economic drains on localities. The Brownfield Cleanup Program (BCP) has proven to be a catalyst for private-sector investment in the cleanup and redevelopment of these vacant and abandoned properties by allowing investors to offset a portion of their site preparation and redevelopment costs through state tax credits. However, the BCP tax incentives were due by current law to sunset on December 31, 2015.

According to data from the N.Y.S. Department of Environmental Conservation (DEC), which administers the BCP, it takes on average 3.77 years to remediate a site under the BCP and obtain a certificate of completion that's required to receive the tax credits. Despite recent steps taken by DEC to accelerate this process, few, if any, projects entering the program would likely be completed before the scheduled expiration of the tax credits, making developers hesitant to undertake new projects due to uncertainty over whether the program's incentives would be available upon a project's completion.

Efforts to include an extension of the BCP tax credits in this year's state budget proved unsuccessful, but legislation I co-sponsored that was passed during the closing days of the regular legislative session would extend the BCP tax credits until March 31, 2017. In addition, the legislation authorizes refinancing of the State Superfund Program, which is charged with identifying, investigating and cleaning up the state's most contaminated sites. The measure (A.10135/S.7878) will soon be sent to the Governor for his consideration.



EXTENDING THE BROWNFIELD CLEANUP PROGRAM. Assemblyman Schimminger discusses the positive economic and environmental impact that the state's Brownfield Cleanup Program has had on the Western New York region during a June press conference held at Hydro-Air Components Inc. in Buffalo. Business leaders, including Laura Smith, Vice President of Regional Development at the Buffalo Niagara Partnership, Brian Sampson, Executive Director of Unshackle Upstate, and Tom Kucharski, President and CEO of Buffalo Niagara Enterprise, joined members of the Western New York State Legislative Delegation in urging action to extend the program which had been slated to sunset at the end of the year. The State Legislature subsequently passed legislation, that will soon be sent to the Governor, to continue the program until March 31, 2017.

ESTATE TAX REFORM

This year we reformed the state's estate tax to ensure that more New Yorkers' assets may be passed on to their loved ones and not be captured by outdated tax provisions. Prior to the changes, any estate valued at more than \$1 million, including a small business, would be subject to New York State's estate tax. The changes made in this year's enacted budget, and phased in through January 1, 2019, will raise the exclusion threshold amount in steps to \$5.25 million, indexed to inflation thereafter.

ASSISTANCE FOR VETERAN-OWNED BUSINESSES

This legislative session we enacted two initiatives to assist veterans of our armed forces in starting or operating a business.

The state's Entrepreneurial Assistance Program (EAP) has long helped entrepreneurs establish new businesses and has provided in-depth instruction, training, technical assistance and support services to minorities, women, dislocated workers and individuals with a disability interested in starting a business. In the 2014-15 state budget we included a provision to expand the EAP to specifically include eligible veterans. There are 24 EAP Centers located strategically around the state. A list of these centers with contact information is available at www.esd.ny.gov/BusinessPrograms/EAP.html.

The other initiative was our passage and enactment of the Service-Disabled Veteran-Owned Business Act (Chapter 22 of the Laws of 2014). This measure, which I co-sponsored, creates a six percent participation goal for state contracts going to businesses owned by veterans with service-connected disabilities. The N.Y.S. Office of General Services will oversee the program and certify eligible businesses. An eligible business owner must be a veteran who either has received a compensation rating of 10 percent or greater from the VA or DOD due to a service-connected disability incurred in the line of duty or incurred an injury in the line of duty equivalent to a compensation rating of at least 10 percent while a member of the New York Guard or Naval Militia.

BOOSTING ALCOHOL BEVERAGE PRODUCTION IN THE STATE

New York State has always been a major tourism attraction. Now the state is pushing to become an agri-tourism destination.

The Legislature and Governor worked together this year on legislation to streamline provisions of the Alcoholic Beverage Control Law to facilitate the growth of our state's alcohol beverage manufacturers, from the small operation to more established producers, and those industries that support them such as agriculture. The legislation that was eventually crafted, which I subsequently introduced, allows these manufacturers to more freely offer their products at their production facilities and increase the allowable production for our smaller manufacturers without increasing their license fees.

In addition, the bill permits cross-promotion for New York State labeled alcohol beverage products by allowing manufacturers to offer other producers New York State labeled beverages for sale without the need for an additional permit. New York State labeled products are a great promotion for the state, utilizing products produced right here in the state such as grapes and hops, and serve as a prime example of New York becoming an agri-tourism destination. The bill (A.10122/S.7813-A) has been passed by both houses and will soon go to the Governor for his expected approval.

This year's work follows steps that were taken in 2013 to set up this industry for growth. Last year, we created a farm cidery license that not only gives craft alcohol beverage producers another production option, but assists our New York State apple growers in finding another market for their products.

FOCUS ON WESTERN NEW YORK

Buffalo Billion Aimed to Spur the Economy in Western New York

In 2012, the state committed to provide \$1 billion over time to spur investment and job creation in the Buffalo region. This year's \$138 billion state budget included a capital appropriation of \$680 million for the "Buffalo Regional Innovation Cluster" to complete the state's commitment under this unprecedented initiative.

As part of that \$680 million appropriation, \$50 million was specifically budgeted for Western New York's participation in the **New York Genomic Medicine Network** which seeks to capture the economic and medical gains in the field of genomic medicine by investing in the already established New York Genome Center in New York City and the University at Buffalo's (UB) computational infrastructure and research community at the Buffalo Niagara Medical Campus. The supercomputing resources and staff at UB will provide the New York Genome Center with rapid access to computational capabilities that will increase the speed of genomic research and analysis critical to the diagnosis of diseases.

In addition to the appropriation for the Genomic Medicine Network, the following projects funded by this year's and previous years' Buffalo Billion state budget appropriations were approved recently by Empire State Development Corporation's Board of Directors.

Buffalo High Tech Manufacturing and Innovation Hub at RiverBend, a \$1.7 billion public-private sector partnership to redevelop a vacant remediated brownfield site to be used by multiple high-tech and green energy manufacturing businesses, will receive \$225 million. The site of a former steel mill, RiverBend will be developed as a state-of-the-art urban commerce park to assist with the development of the advanced manufacturing industry in the region. The first phase of the project is focused on the solar energy industry and is anticipated to generate at least 850 new jobs initially. The funding will be used for real estate acquisition, design and planning costs, site and infrastructure development, construction of a 280,000-square-foot facility and acquiring machinery and equipment. Fort Schuyler Management Company (FSMC), a private, non-profit corporation formed by the SUNY Research Foundation, will own the building and its contents and lease them to cutting edge biotech, high tech and green energy companies.

Buffalo Information Technologies Innovation and Commercialization Hub/IBM will use \$55 million to establish a high-end software development center in downtown Buffalo, with IBM as the anchor. The project involves the purchase and build-out of approximately 100,000 square feet of space and installation of proprietary software and IT equipment including specialized high-speed servers and super computers. FSMC will own the real estate and equipment which will initially be used by IBM to create cutting-edge software for the energy, health and defense industries. The highly-specialized IT equipment will be offered to other technology, genomics and molecular research and defense sector companies with a cost recovery fee. The project is expected to create 500 jobs.

Buffalo Medical Innovation and Commercialization Hub will receive \$50 million to support a collaboration of pharmaceutical research, drug screening and development. The collaboration includes FSMC, Albany Molecular Research Inc., Buffalo Niagara Medical Campus, and the SUNY College of Nano Science and Engineering. The funding will be used to acquire a facility, renovate the building and purchase mechanical equipment and technology. The investment is expected to generate 250 jobs.

EWI/Advanced Manufacturing Institute will receive \$36.1 million for machinery, equipment and facility needs and operations to assist Buffalo area companies with the development, commercialization and implementation of leading edge manufacturing technologies to help solve manufacturing production issues. Edison Welding Institute, Inc. (EWI) is an Ohio-based company

that has helped mid-to-large sized manufacturers in other communities improve their operational efficiencies by providing a range of applied engineering services, as well as marketing and personnel assistance. With strong research programs in fields from materials science to advanced computing, UB will partner with EWI on the Advanced Manufacturing Institute. The institute's target is to retain or add more than 800 manufacturing jobs at participating companies in the region over the next five years.

The Centers of Excellence Program at Work in Western New York

The Centers of Excellence Program was created by the Legislature in 2006 to provide operating support for collaborations between the state, business community, and academia. The program focuses on developing innovative ideas in high-tech industries and bringing them to the marketplace. The 10 Centers of Excellence now located across the state will each receive \$872,333 in operating assistance in this year's state budget, which was made possible by the Legislature's restoration of \$3.5 million for additional support for these centers.

The **N.Y.S. Center of Excellence in Bioinformatics and Life Sciences (CBLS)** in Buffalo was established in 2007 to capitalize on UB's resources with the life-sciences high-tech industry. The CBLS concentrates on translational research and commercialization activities. Partners involved with the center's activities include Bigen Idec, Cognigen Corporation, Dell, General Electric Global Research, Hewlett-Packard and Pfizer.

Additionally, a second strategic **N.Y.S. Center of Excellence in Materials Informatics (CMI)** has been designated at UB that focuses on developing synthetic materials for use in advanced manufacturing to replace rare earth elements and natural resources that are increasingly prohibitive to obtain. Materials informatics applies the principles of informatics and "big data" to materials science and engineering to better understand the use, selection, processing, development and discovery of materials. I was able to both provide the initial seed funding for the CMI and secure its state designation in the 2012-13 state budget.



BUILDING PUBLIC-PRIVATE PARTNERSHIPS. Chairman Schimminger and Liesl Folks, Dean of the University at Buffalo School of Engineering and Applied Sciences, discuss several recent ventures involving UB that are aimed at fostering university-industry cooperation. Western New York's new Advanced Manufacturing Institute, a "Buffalo Billion" initiative, will help area manufacturers upgrade their production processes and develop innovative products. It will be operated by EWI, an Ohio-based consulting firm, in partnership with the university. In addition, the recently established N.Y.S. Center of Excellence in Materials Informatics at UB will build on the university's core strengths in materials science and informatics, driving innovation and R&D to grow critical industries such as advanced manufacturing, life sciences and renewable energy. Fostering private-sector collaboration across a range of industries, the center will give Western New York companies a competitive advantage, create high-technology jobs and attract new industries to the region.

INNOVATE, INNOVATE, INNOVATE

Understanding that the manufacturing sector is essential to the upstate economy, the state has sought not only to retain manufacturing companies in the state but also to increase opportunities in future-growth sectors such as computer and electronic products manufacturing.

Albany's focus on innovation-driven economic development has led to the initiation of programs that focus on all stages of business development, from seed to production. For example, the state introduced the New York State Business Incubator and Innovation Hot Spot Program last year to work with businesses at the early seed stage of business development.

This initiative provides business services to start-up companies through certified incubator programs. In addition, businesses affiliated with incubators located in a state designated "Hot Spot" may be eligible for the following benefits:

- Companies will be subject only to a fixed dollar minimum tax, or will be able to deduct income attributable to their operations;
- Companies will also receive a credit or refund for sales tax on related goods and services.

Since 2013, the state has designated 10 business incubators, one in each of the state's economic development regions, and a "Hot Spot" in half of the regions – Central New York, Finger Lakes, North Country, Southern Tier and Western New York – to date. The state is limited by statute to designating no more than five additional Hot Spots this fiscal year, with only entities located in the Capital District, Long Island, Mid-Hudson Valley, Mohawk Valley and New York City regions eligible to compete for the remaining five designations.



MANUFACTURING MATTERS. Over the past several months, Assemblyman Schimminger had the opportunity to visit and learn more about the operations of several manufacturing plants in his Assembly district, including 3M Company, FMC Corporation and General Motors Corporation facilities. Here, he's pictured with Ray Lorenz, Vincent O'Brien, Carl Carlton and Don Singleton at 3M's Tonawanda Plant, the world's largest sponge making facility which manufactures O-Cel-O™ and Scotch-Brite® brand home care products. Schimminger and the 3M associates discussed a number of concerns facing manufacturers in New York State including taxes, and the Assemblyman reviewed the new corporate franchise tax cuts and property tax credit that were enacted in this year's state budget.

For information on the Business Incubator and Innovation Hot Spot Program go to www.regionalcouncils.ny.gov or contact an Empire State Development regional office.



Legislative Update from the New York State Assembly

Committee on Economic Development

Sheldon Silver, Speaker • Robin Schimminger, Chairman
August 2014



Robin Schimminger, Chairman Committee on Economic Development

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