START UP NY

Cutting taxes, creating jobs & growing the economy

State of New York
Executive Chamber
Albany 12224

Andrew M. Cuomo
Governor

As we conclude the 2013 legislative session, New York has a lot to be proud of. After years of late budgets, legislative gridlock and dysfunction eroding confidence in government, we have been able to show that New York State is working again. Problems that had been intractable for decades have been addressed, and tough issues tackled.

In our first year, we closed a $10 billion budget deficit with no new taxes, cut taxes for the middle-class, established a property tax cap to hold the line on skyrocketing tax bills, and created a new economic development paradigm with Regional Economic Development Councils. The momentum continued into the second year with teacher evaluations that now serve as a model for the nation, sweeping pension reform that saves state and local governments more than $80 billion, and a coordinated statewide plan to rebuild our infrastructure and create thousands of jobs, including the replacement of the Tappan Zee Bridge.

We were able to continue the progress this year with unprecedented movement in addressing the state's most pressing need: a revitalized economy and jobs, jobs, jobs. We laid out an ambitious economic development agenda in this year's State of the State address, and I am pleased to say that it is now a reality.

- START-UP New York will be a game changer that utilizes private partnerships with New York's higher education system to create jobs and spur economic development in areas of the state that have been depressed for decades.
- New tax cuts for businesses and the removal of red tape will spur job creation.
- Through targeted state investments and creative public-private partnerships, New York is fostering industries that will drive the economy of tomorrow, from microtech to tourism to agriculture.
- Casinos in upstate New York will boost tourism and be a catalyst for economic development. Already, efforts in this area have led to agreements with Indian nations that settle disputes that literally stretched back centuries, resulting in outstanding back-taxes being repaid, and a new and consistent revenue stream for localities and the state.

All of this is being done in a context of an improved economic climate, evidenced by the passage of a third consecutive on-time budget, the lowest middle-class taxes in 60 years and a new additional credit for middle class families. The combined efforts are already showing tangible results: unemployment is at its lowest level in over four years and New York has achieved its highest level of private sector jobs in our history. Since 2011, NYS has added more than 336,000 private sector jobs, and was one of the first states in the nation to have gained back all of the private-sector jobs lost during the recession.

It has indeed been a busy legislative session, but the people of New York deserve nothing less than a government that works hard for them and achieves results to make the state stronger. I am proud of our accomplishments and heartened by the optimism I see every day in the *new* New York.

Sincerely,

Andrew M. Cuomo
Governor

We Work For the People
Performance ⋆ Integrity ⋆ Pride

Executive Summary

Since day one, Governor Cuomo has deployed an aggressive economic development strategy that has redefined the relationship among government, academia and the private sector, leading to new partnerships and regional collaboration that is attracting investment, growing businesses and creating new jobs for New Yorkers. For three straight years, we have held the line on spending and cut taxes, making great strides in improving the business climate and reversing New York's reputation as a high-tax, anti-business state.

The 2013 legislative session is the latest chapter in the *new* New York, and the most productive session yet to find ways to promote business and job growth in the Empire State. It may, in fact, mark a turning point that rallies the state's economy to new heights and puts us on a path to prosperity that will be felt for generations.

Accomplishments during the 2013 session include:

- **The Third Straight Balanced, On-time Budget**, closing a $1.3 billion gap with no new taxes or fees
- **Tax Relief for Middle-Class Families** for the second straight year
- **Tax Cuts for Businesses**, including an income tax cut for small business and manufacturing rate cuts
- **START-UP NY,** which will spur entrepreneurialism and job creation by transforming public higher education through tax-free communities across the state
- **NYS Business Incubator & Innovation Hot Spots** will foster innovation and facilitate the transition from ideas and research to marketable products
- **Round III of Regional Economic Development Council Awards** will enable regions to continue investing in their own future, rather than through the old Albany, top-down approach
- **NY Works Task Force Infrastructure Investments** will leverage regional assets, maximize existing resources and focus on long-term job growth and economic opportunities
- **Cutting Red Tape for Businesses**, including reforms to unemployment insurance and workers' compensation, and streamlined regulations for farmers and brewers
- **A Historic Commitment to Tourism** with the largest investment in decades -- nearly $60 million -- to grow this vital job-producing industry
- **The Upstate NY Gaming Economic Development Act** will establish four destination gaming resorts in upstate New York and boost tourism and economic development in the regions
- **Helping Businesses Rebuild and Reopen After Superstorm Sandy** with an Emergency Small Business Loan Program that quickly moved funds out the door to businesses working to rebuild and reopen

Improving the Business Climate

Step one on the path to economic recovery was to improve the business climate in New York State. In 2011, the property taxes that hurt businesses and homeowners were capped to 2 percent growth after rising at an unmanageable average of 5.3 percent during the last decade. In fact, 83 percent of the more than 2,700 local governments and school districts in the state report a proposed tax levy in the past year within the capped amount.

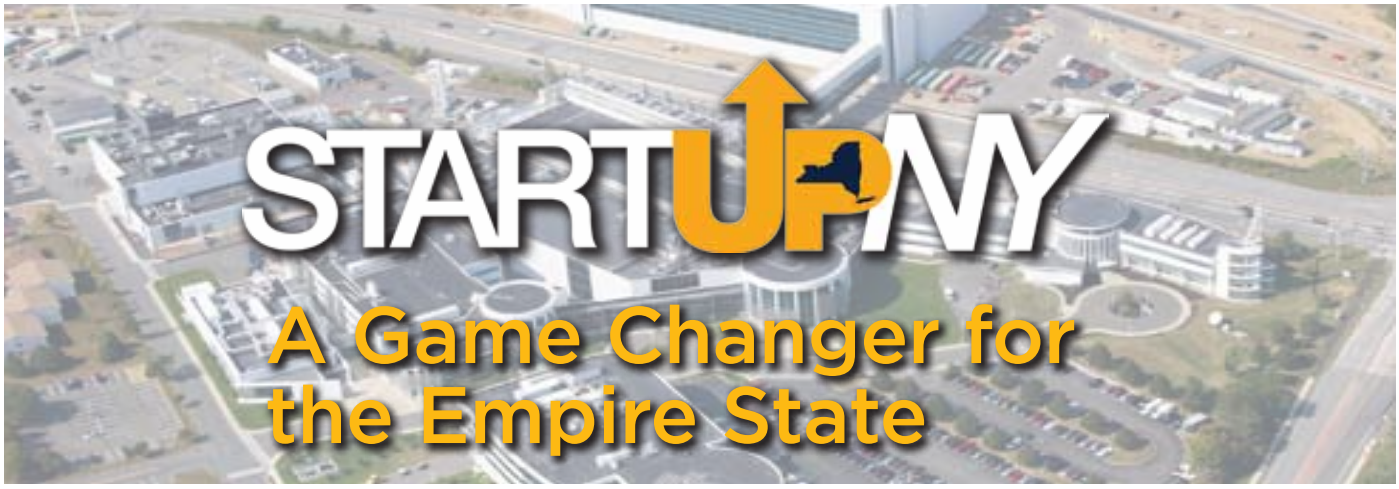
Controlling the cost of local government has also helped keep taxes at bay. Building on the significant mandate relief of last year – including a state takeover of growth in the local share of Medicaid expenses, and a new Tier VI in the state pension system – this legislative session saw the creation of a new Financial Restructuring Board to help distressed local governments manage their finances, reforms to the binding arbitration process that establish clear "ability to pay" standards, and a new option for local governments and school districts to immediately access the long-term savings from Tier VI fiscal relief.

The Third Straight Balanced, On-Time Budget

The 2013 budget closed a $1.3 billion gap with no new taxes or fees, cut taxes for middle-class families and businesses, and made key investments in creating jobs for New Yorkers. New York State has not had three consecutive on-time or early budgets since 1984.

Key measures included:

- **Tax Relief for Middle-Class Families**
  - ★ For the second straight year, the budget contained a tax cut for the middle-class, and stimulates economic activity with a new child tax credit of $350 per family.
- **Tax Cuts for Businesses**
  - ★ To help create jobs, the budget included an income tax cut for small business and manufacturing rate cuts. In total, it provides more than $800 million in tax relief for New York businesses over three years, including:
    - Small Business Income Tax Exemption - $140 million
    - Manufacturer Tax Rate Reduction - $120 million
    - Hiring Veterans Tax Credit - $74 million
    - Youth Works Tax Credit - $18 million
    - Youth Hiring Minimum Wage Credit - $163 million
    - Reduction of the Temporary Utility Assessment - $303 million
- **Reducing Costs and Red Tape for Businesses**
  - ★ Reforms to unemployment insurance and workers' compensation were enacted this year to modernize and simplify the systems and save employers $1.2 billion.



Governor Cuomo's START-UP NY (SUNY Tax-free Areas to Revitalize and Transform UPstate NY) initiative is the game-changer that will transform SUNY campuses and university communities across the state into tax-free communities – including no income tax for employees, and no sales, property or business tax for 10 years. START-UP NY will attract venture capital, start-ups, new business and investments from across the nation and around the globe to New York by offering new businesses the opportunity to operate completely tax-free while also partnering with the world-class higher education institutions in the SUNY system.

START-UP NY will replicate the economic success of the College of Nanoscale Science and Engineering (CNSE) in the Capital Region, created under a partnership between New York State and the University at Albany, which has attracted billions of dollars in private sector investment, and transformed the Capital Region into the international epicenter of the commercial nano-industry.

START-UP NY includes:

- **START-UP NY Communities**: All SUNY colleges and universities will have the opportunity to develop tax-free communities. CUNY and private colleges will also have an opportunity to participate.
- **20 Strategic State Properties**: In addition to colleges and universities, up to 20 strategically located state assets may be designated as tax-free communities and will be affiliated with a SUNY, CUNY or independent college or university.
- **Tax-Free**: Participating companies in START-UP NY will not pay any taxes (e.g. business/corporate taxes, sales taxes and property taxes) for 10 years.
- **Businesses Eligibility**: Businesses participating in the program will need to be aligned with or further the academic mission of the campus, college or university sponsoring the tax-free community, as well as have positive community and economic benefits.
  - ★ **Businesses Must Be**:
    - A new start-up company;
    - A company from out-of-state that is relocating to New York State; or
    - An expansion of an existing NY State company
- **Job Creation**: Every business is required to create and maintain net new jobs.
- **Employees Exempt from Income Taxes**: Employees of businesses that open in START-UP NY communities will be exempt from paying income taxes. Personal income is capped at 10,000 people per year and capped after 5-years at $200,000.

- **Robust Protections Against Fraud**: START-UP NY includes strong provisions to protect against fraud.
  - ★ Businesses will have to submit certification to ESD.
  - ★ Falsifying certifications will be a felony.
  - ★ Guard in place to prevent abuses such as shifting jobs among related entities or "shirtchanging," when a company simply reincorporates under a new name and claims its existing employees are now new jobs.

Investing in the Economy of Tomorrow

Through targeted state investments and creative public-private partnerships, New York is fostering industries that will drive the economy of tomorrow. Governor Cuomo has led the charge on numerous innovative programs during the 2013 legislative session, including:

- **New York State Business Incubator and Innovation Hot Spots Program**

  This new program will help to foster innovation and commercialization of research by offering inventors and entrepreneurs a low-cost, collaborative working environment and access to essential shared business services.

  The ten Innovation Hot Spots, five to be designated in each of the next two years, will become tax-free zones that foster partnerships between higher education institutions and the private sector to harness academic and entrepreneurial expertise. Start-ups and other businesses tied to the incubator will be exempt from business or sales taxes for a five-year period while also receiving other benefits, including operating support.

- **The NYS Innovation Venture Capital Fund**

  A new $50 million venture capital fund will provide critical seed and early-stage funding to incentivize new business formation and facilitate the transition from ideas and research to marketable products.

- **Workforce Training for Job Openings**

  In order to fill an estimated 210,000 unfilled jobs in the state, the Next Generation Job Linkage Program was established to work with employers to identify the job, define the skill and provide the training for it.

Success Story

The Innovation Economy

Through the efforts of state government, New York is becoming a world-renowned hub for high tech industries.

Computer chip manufacturer GlobalFoundries is investing $2 billion to create a new research and development facility in Saratoga County, creating 1,000 new jobs in the Capital Region.

"GlobalFoundries is committed to doing business in New York," said president and CEO Ajit Manocha. "There's a big benefit to doing work right here."

Similarly, Regeneron Pharmaceuticals, Inc., a world leader in biopharmaceutical development, is expanding its corporate headquarters and laboratories in Westchester County, resulting in more than 400 new high-skill jobs. The company has grown from 682 employees in 2007 to 2,000 today, including more than 1,300 employees in Tarrytown and nearly 600 at its industrial operations and product supply facility in Rensselaer.

The company had considered expanding outside New York before the state stepped in with $8.5 million in tax credits through the Excelsior Jobs Program to make its expansion possible.

President & CEO Leonard Schleifer, MD, PhD said, "Regeneron has been based in New York since we began 25 years ago, and we are grateful to Governor Cuomo and New York State for financial support that helps us to continue to expand and create jobs in New York."

NYSUNY2020

- **Creating Green Jobs and Protecting the Environment**

  For the first time in four years, New York increased support for the Environmental Protection Fund – by $19 million – in 2013, for a total of $153 million to launch new projects across the state that both create green jobs and protect New York's natural environment.

- **SUNY and CUNY Campuses Driving Private Sector Job Creation**

  A $55 million third round of the SUNY 2020 program and $55 million to launch the CUNY 2020 program will provide competitive grants for projects that connect economic development and academic excellence. Projects will be selected based on economic impact, advancement of academic goals, innovation and collaboration.

- **Connect NY Broadband Grant Program**

  $25 million in awards will expand high-speed Internet access in rural upstate and underserved urban areas, bringing broadband service to more than 153,000 households, 8,000 businesses and 400 anchor institutions – many without any means to access the Internet. In addition to the economic benefits derived from broadband access, the projects will create 1,400 new jobs.

Success Story

Eastman Business Park

Securing the Finger Lakes Region's #1 Priority.

In June, the state and Eastman Kodak Company reached a landmark agreement to ensure that Eastman Business Park (EBP), one of the most important industrial and commercial parks in Rochester and the state, continues to be a magnet for new job, business and investment growth. The agreement provides a framework to resolve the issues that arose when Kodak, EBP's owner, operator and largest employer, filed for Chapter 11 bankruptcy in January of 2012.

""These important activities all combine to provide the right answer at the right time, serving the public and community interests in protecting the environment and strengthening economic development initiatives," said Antonio M. Perez, Kodak Chairman and Chief Executive Officer.

Recognizing EBP's critical importance to the region's economy, the Finger Lakes Regional Economic Development Council rated the stabilization and growth of EBP their number one priority. Governor Cuomo immediately deployed a team of top aides, led by Lieutenant Governor Robert J. Duffy, to work with Kodak, local elected officials and business leaders on an agreement that would ensure EBP's long-term growth and future prosperity.

Rochester Mayor Thomas Richards said, "Eastman Business Park is a key asset for Rochester and a vehicle for growth for our local economy. The agreement will serve as a catalyst for attracting new or expanding businesses seeking to take advantage of the infrastructure and amenities the Park offers."

Creating Jobs through Regional Strategies and NY Works Infrastructure Investments

Under the Cuomo administration, collaboration is the vehicle for economic development decision making and progress. The Regional Economic Development Councils (REDCs) have redefined the way New York invests in jobs and economic growth by putting in place a community-based, bottom up approach. Now in the third year of the initiative, the REDC competition will once again allow the regions to invest in their own economic destiny.

Similarly, our infrastructure investments are being made more collaboratively, with a new focus on regional strategies. Upgrading roads, bridges and other basic infrastructure will create jobs now and pay dividends down the road by lowering the cost of doing business and keeping New York State competitive in a global economy. And, as Superstorm Sandy, Hurricane Irene and Tropical Storm Lee have demonstrated, the need to rebuild smarter, more resilient infrastructure is more critical than ever. Through the NY Works program, New York is making the right investments to move our economy forward.

A Third Round of Funding for Regional Councils

The REDCs, which are public-private partnerships composed of local experts and stakeholders from business, academia, local government and non-governmental organizations, have developed innovative plans and implementation agendas that truly reflect the distinct characteristics of each of the 10 regions of the state.

After two rounds, the state has awarded $1.5 billion to support more than 1,450 regionally significant economic development and community revitalization projects. New York is keeping the momentum going with a third round of funding this year with up to $760 million in state funding and tax incentives being awarded:

- $220 million ($150 million in capital + $70 million in tax credits) for competition.
- $540 million for state supported programs through the CFA process.

Infrastructure Investments through the NY Works Task Force

Governor Cuomo created the NY Works Task Force to fundamentally change the way state agencies and authorities invest taxpayer dollars.

The new Statewide Capital Plan released by the Task Force in June – the first of its kind – brings regional stakeholders, agencies and authorities together to make the best and most strategic long-term investment decisions, and aligns with Governor Cuomo's signature approach to economic development: leverage regional assets, maximize

existing resources and focus on long-term job growth and economic opportunities. The plan breaks down investments across eight sectors – transportation, environment, education, social services and public health, energy, development projects, public safety and general government – and across all 10 Regional Economic Development Council Regions.
2013-14 New York Works budget initiatives include:

- Environmental Improvements
  - ★ The Department of Environmental Conservation will use $40 million in new capital appropriations for the Brownfields Environmental Restoration grant program.
- State Parks and Historic Parks Improvements
  - ★ The Office of Parks, Recreation and Historic Preservation will use $90 million to address the large backlog of capital rehabilitation and improvement needs in state parks and historic sites.
- Energy Programs to Make New York a Leader in the Clean Tech Economy
  - ★ Governor Cuomo created the new position of Chairman for Energy Policy and Finance for New York State, who will direct the state's energy policy through a newly formed energy subcabinet, and will oversee several new initiatives:
    - The $1 billion Green Bank
    - Expansion of the New York Sun Solar program
    - The Charge NY Program
    - Expand Affordable Housing Opportunities
  - ★ The new House NY program will invest $1 billion of additional resources over five years to address the significant shortage of quality affordable housing in New York. The program will preserve and create 14,300 affordable housing units statewide, bringing long-term stabilization to distressed neighborhoods and the creation of jobs during construction.
- Investments in a Safe, Reliable Transportation System
  - ★ The first year of a new 2-year transportation program will provide $7.1 billion in transportation capital investments under the New York Works program to maintain, repair and replace critical highway, bridge and other transportation infrastructure, and to prolong the useful life of these assets.

Strategic Investments in Burgeoning Industries

Empire State Development, the state's chief economic development agency, has had its busiest years under the Cuomo administration, and the first part of 2013 has continued this upward trend. ESD has already reached commitments to provide over $156 million in grants, tax credits and loans leveraging over $1.5 billion in investment, and creating and retaining more than 45,000 jobs across the state.

New York State – The Yogurt Capital

New York State is officially America's Yogurt Capital, surpassing California in 2012 as the top producer of yogurt in the United States. The governor convened the state's first Yogurt Summit in August 2012 to bring together dairy farmers, yogurt producers and state officials to find new ways to support the industry's growth in New York.

In April 2013, the governor delivered on a promise made at the summit, removing regulatory burdens to make it easier for dairy farms to expand their herds while ensuring that the state's water bodies remain protected. As a result of this action:

- Smaller farms will be able to expand their herd sizes without having to implement costly environmental permit requirements.
- New York's dairy farmers will be able to increase milk production, which will benefit New York's growing yogurt industry, create jobs and grow local economies.

Success Story

Becoming the Yogurt Capital of the United States

With internationally recognized, home-grown companies like Chobani and Fage leading the way and continuing to grow the industry, New York has become the place to get your Greek yogurt.

Based in Norwich, Chobani began producing yogurt just five years ago. Now it controls almost 20 percent of the U.S. yogurt market and is the best selling yogurt brand in the country. Similarly, FAGE, based in Johnstown, is continually growing and expanding – and both are employing hundreds of upstate New Yorkers. Another major plant, Muller Quaker Dairy recently opened its doors in Batavia, joining Alpina Foods, which started production in October 2012, also in Batavia.

Since 2000, the number of yogurt processing plants in New York has increased from 14 to 27 today, and from 2007 to 2012, have nearly tripled their production. Their success is felt well outside the factory walls, having a positive effect on businesses throughout state, including for dairy farms, manufacturers and local communities across New York.

Rob Shea, Chief Financial Officer of FAGE, said, "FAGE is happy the governor is taking a proactive interest in the yogurt industry and the farmers that support it. We look forward to long lasting success in New York State."

Historic Commitment to Tourism

Tourism is big business in New York State – in 2012 alone, direct visitor spending rose to $57.3 billion with the total economic impact of the tourism industry coming in at $92.16 billion. The tourism industry is New York's fifth largest employer, creating one out of every twelve jobs in the state. In May, Governor Cuomo held New York's first Tourism Summit and launched the state's largest tourism campaign in decades, committing nearly $60 million to grow the industry, create jobs and attract even more visitors to the Empire State.

- New I LOVE NY marketing campaign with the Port Authority and MTA to promote upstate NY tourism destinations.
- Market NY will bolster tourism and better market New York-made foods and produce across the nation and around the globe.
- Taste NY products will be sold at strategically located highway rest stops across the state. Also, there will be a Taste NY Tent at this year's PGA Championship in Rochester, selling and sampling Made in NY products to tournament-goers.
- The Adirondack Challenge event will promote the North Country region to tourists worldwide.
- New Welcome Centers at Border and Interstate Crossings will serve as hubs of information about the state's tourism assets and attractions.
- International Tourism Campaign: From Asia to South America, an international tourism campaign will invite people overseas to the Empire State and have a presence in emerging markets such as China and Brazil.

Growing the Beverage Industry

After the governor hosted the Beer, Wine and Spirits Summit to find out how the state can help the beverage industry grow here in New York, several actions have been implemented as a result of the discussions between state officials and industry leaders:

- **One Stop Shop** – The one stop shop provides the wine, beer and spirits industry with a single point of government contact for assistance regarding regulations, licensing, state incentives and any other questions or issues facing the industry.
- **Farm Brewery Bill** – Grants special privileges to license holders who commit to making craft beverages from NYS agriculture products, who in return can sell and provide tastings of their products at farmers markets and their licensed premises without an additional permit.
- **Farm Cideries Bill** – Authorizes the establishment and licensure of farm cideries for the manufacture and sale of cider made from crops grown in New York State.
- **Brand Label Registration Bill** – Provides clear, concise and understandable requirements for the labeling of alcoholic beverages produced in New York; simplifies the brand labeling process; and will provide a business-friendly exemption from brand labeling fees for smaller craft producers.

Expansion of Film Production Tax Credit Program

Under Governor Cuomo's leadership, the state's popular film and television tax credit program has taken off. It is estimated that the 349 projects that have filmed or applied to the program during the Cuomo administration will result in over $5.5 billion in direct spending in New York.

As a result of the changes championed by Governor Cuomo:

- Post-production applications have soared: the number of applications received since enhancing the post-production tax credit has tripled and it is estimated that these projects will result in more than $40 million in spending in New York State.Four new post-production facilities have located to New York and are already creating new jobs.

NY ♥ FILM NEW YORK STATE FILM PRODUCTION CREDIT

- 2013 is slated to be a record-breaking year for TV production in NYS; this year the state also attracted the largest movie production – Amazing Spider-Man 2 – in its history.
- New York has attracted the largest movie production ever to the state.
- As a result of the newly passed relocation provision, two top-rated shows – Tonight Show and America's Got Talent – will soon make New York State their new home.

Upstate NY Gaming Economic Development Act

To further promote job creation, Governor Cuomo has successfully put a proposal on the ballot for November to allow casino gaming in New York State. Pending support of the voters, the first four casinos to be built will be located in upstate New York. These resort destinations will draw visitors to upstate, create tens of thousands of jobs, and keep gaming revenues in New York.

- 10% of the state's tax revenues from casinos will be split equally between the host municipality and the host county;
- 10% will go to other counties in the region where the destination resort is located to provide tax relief or educational assistance; and
- 80% will be used statewide for elementary and secondary education and property tax relief. The educational aid will be additive and will not be part of the state's existing education formulae.

If the gaming referendum passes, 10% of the net gaming revenue retained by the state from Indian gaming facilities will be distributed to counties in each respective exclusivity zone if they do not otherwise receive a share of exclusivity revenues.

After the Storm: Building Back Stronger Than Before

Last October, Superstorm Sandy rocked the East Coast and caused billions of dollars in damage to businesses and communities from Suffolk County to the lower Hudson Valley, and everywhere in between. New York State acted immediately to help New York State's small businesses, partnering with the New York Bankers Association and the New York Business Development Corporation to establish the $10 million Emergency Small Business Loan Program to quickly move funds out the door to businesses working to rebuild and reopen. To date, more than $3.2 million in loans have been distributed to 141 Sandy-impacted businesses through the state's small business emergency loan fund.

The loan fund was a first step in providing fast financial assistance to small businesses post-Sandy. Under the governor's leadership, and with$415 million in federal Sandy funds for small business recovery programs now in place, state agencies are partnering together and working around-the-clock to provide additional funding to businesses that suffered direct physical damage or economic hardship as a result of Sandy, Hurricane Irene or Tropical Storm Lee, and to support the state's seasonal tourism and coastal fishing industries.

New York By the Numbers

336,000 new jobs added since 2011

#5 in the nation in private sector job growth

50,000 less unemployed than in January 2011

Unemployment rate – **7.6%** – lowest level in over four years

56 Fortune 500 Companies

$24.4 billion in High Tech payroll

$76.9 billion in exports in 2008, with small & medium-sized businesses generating more than half of total exports

#1 in number of first tier Universities

$57.3 billion tourism industry

13th largest economy in the world

#2 in per capita energy consumption efficiency

3rd largest Grape Grower & 2nd largest Wine Producer

Almost **32** percent of all adults in New York State have four or more years of college, and nearly **350,000** scientists and engineers call the Empire State home

Home to over **50** incubator facilities

Third most populous state

Tourism supports nearly **714,000** jobs and employs **1** out of every **12** NYers

Empire State Development