



Testimony of Reinvent Albany

**ASSEMBLY STANDING COMMITTEE ON ECONOMIC DEVELOPMENT, JOB
CREATION AND COMMERCE AND INDUSTRY and the ASSEMBLY
STANDING COMMITTEE ON SMALL BUSINESS**

**Hearing on the Oversight of the economic development programs that
leverage state funds to translate technology advancements into viable
long-term business development and economic growth**

Albany, New York

November 13, 2017

Good afternoon Chairs Schimminger and Thiele, and members of the Assembly Standing Committees. My name is Alex Camarda, and I am a Senior Policy Advisor for Reinvent Albany. Thank you for holding this hearing today focused on economic development programs that use public dollars to foster technological innovation and, by extension, economic growth.

Reinvent Albany has been very critical of the state's \$4 billion a year in economic development spending, which we believe is largely unaccountable, non-transparent

taxpayer handout to businesses that is not proven to be worthwhile and at high risk for corruption.

This said, we do think the State's NYSTAR programs --- Technology Development Organizations, Manufacturing Extension Partnership, Centers of Excellence, Centers for Advanced Technology, Innovation Hot Spots/ Certified Incubators are a tiny bright spot of thoughtful, effective taxpayer investment.

These NYSTARs programs create or retain tens of thousands of jobs and spur billions of investment. We would endorse a big boost in funding for these programs, which have been shown over decades to actually work. However, consider that, according to ESD, the total budget for NYSTAR programs is roughly \$60m a year or about 1.5% of state economic spending. By comparison, the \$750 million in taxpayer funds spent on just the Riverbend Tesla factory is twelve and a half times what the state invested in all of these NYSTARs programs put together --- programs which are creating ten times as many jobs as that factory will.

Most NYSTARs programs are worthwhile and worthy of a big infusion of state funds. But consider that next year, the state's economic development process will be under the microscope in two major federal corruption trials centered around the bid rigging of billions in state business subsidies.

Reinvent Albany believes the state's economic development programs are severely flawed and need major reforms to increase accountability and transparency. Until that happens, the legislature should stop appropriating new funds for new discretionary economic development programs. No accountability -- no blank checks.

Reinvent Albany has said to this committee before that oversight of economic development subsidies should be focused on three areas: transparency, accountability and effectiveness. First, does the legislature and public know how economic development funds are being spent? Second, do we know whether they are being awarded fairly and cleanly? Third, is the public getting a good return on their economic development investments?

Unfortunately, the answers to these questions are unknown today just as they were when we last testified before this committee in February 2017.

The governor, legislature and Empire State Development (ESD) have disappointingly not taken any action to make economic development subsidies more transparent, accountable, or to measure their effectiveness or lack thereof. The legislature did not pass a Database of Deals. It did not pass a Clean Contracting procurement reform package. It did not pass pay to play controls for state vendors. It did not pass a bill clarifying that state controlled nonprofits are subject to FOIL. In fact, the legislature did nothing despite state economic development programs being engulfed by the biggest bid rigging scandal in state history.

At a bare minimum, the legislature must pass a Database of Deals.

The only thing the legislature did do is write a check for \$1.8 billion in the extender budget passed in April, a blank check granted by the legislature to Governor Cuomo for economic development projects with no additional oversight.¹ \$500 million of those funds are for Buffalo Billion II, even while the first round of funds resulted in indictments of nine of the Governor's senior advisors, campaign contributors, and

¹See:

<https://www.politico.com/states/new-york/albany/story/2017/04/in-extender-cuomo-gets-money-for-his-economic-development-projects-110970>

company officers doing business with the state. Their federal trials will be held in January and June of 2018.

Reinvent Albany, along with our coalition partners Citizens Budget Commission, Fiscal Policy Institute, and other good government organizations, released a five point Clean Contracting proposal a year ago to ensure greater accountability and transparency for economic development subsidies and contracting, and reduce corruption. Comptroller Tom DiNapoli's program bill, S.3984-A (DeFrancisco) /A.6355-A (Peoples-Stokes) includes most of these proposals. DiNapoli's bill would:

- Reestablish comptroller authority to review contracts before they are executed for construction, materials and products bid out by SUNY and CUNY, their Construction Funds, and the SUNY Research Foundation. It would also allow for comptroller review of the Office of General Services' (OGS) centralized contracts. This authority was in place for a century before the Governor and legislature unwisely stripped it from the comptroller in 2011-2012;
- Requires state authorities to follow the specific and comprehensive procurement guidelines similar to those followed by state agencies;
- Prohibits state authorities from using state controlled not-for-profit organizations as contracting vehicles;
- Requires earlier notice of non-competitive source, procurements in the State's online Procurement Opportunities Newsletter (aka the NYS Contract Reporter); and
- Prohibits conflicts of interest for officers and employees of agencies and authorities, and board members for authorities.

Reinvent Albany and our colleagues have repeatedly called for passage of a Database of Deals, revealing exactly which companies and entities are receiving economic development subsidies from the state, the dollar value of those subsidies, job and

investment commitments, whether those commitments are being met and, if not, whether clawbacks of benefits have occurred.

We thank Chair Schimminger for introducing legislation implementing this, A.8175 (Schimminger)/S.6613-A (Crocì). The bill advanced out of the Economic Development committee this past session, and advanced to third reading on the calendar in the Senate. However, the bill did not pass either house though all it does is create the most basic transparency about how taxpayers money is spent on subsidies to businesses.

The Database of Deals is not rocket science. Journalists at the Investigative Post and Gannett created their own limited “Database of Deals” based on state records they got from Freedom of Information Law (FOIL). It is also worth noting the Public Authorities Reporting Information System (PARIS) already reveals subsidies to recipients receiving grants from local authorities, local development corporations (LDCs), and industrial development agencies (IDAs) but does not do so for state awards and grants.

Our groups also called for the legislature to consider restrictions on campaign contributions by vendors doing business with the state, and the Governor did include in the Good Government and Ethics bill in his last Executive budget, a limited pay to play control, that would ban contributions by vendors to the executive branch from when an RFP has been issued to six months after a contract has been executed. Nineteen states and New York City have more robust “pay to play” laws but New York State does not. While there were discussions about this proposal in late 2016, it also was not enacted.

Reinvent Albany and the Committee on Open Government additionally called for passage of A.5854-A (Schimminger)/S.4775-A (Boyle) requiring affiliated not for profit organizations of government entities to be subject to FOIL and the Open Meetings Law,

something already likely required as indicated by court decisions in New York and other states. This bill did not advance out of committee in either house.

In summary, while there are many proposals before the legislature that would make economic development subsidies more accountable, transparent and measurable, no action has been taken to address fundamental questions about economic development subsidies that we and many others have raised. The legislature and the public lack basic information about how billions in taxpayer dollars is spent - who receives economic development grants, whether recipients meet commitments made for taxpayer funds, and whether this is the best use of taxpayer dollars to grow the economy. The legislature should not award any more economic development money without passing the major reforms outlined in this testimony.