



## Business Incubator Association of New York State, Inc.

**Assembly Standing Committee on Economic Development, Job Creation, Commerce, and Industry**  
**Public Hearing on the New York State Economic Development Budget**  
**November 13, 2017**

**TESTIMONY Offered by Marc Alessi, Executive Director of BIANYS**

BIANYS is a not for profit membership driven association comprised of over 80 Business Incubators from across New York State. Our membership is made up of both university affiliated incubators, and independent, private sector incubators.

It is in the interest of New York State to support Start-ups and the job creation that results from these young companies. As a former member of your body, this was my main area of policy interest. I had worked with a number of my former colleagues including the Chairman of this committee to hold hearings around the state as the former Chair of the Sub Committee on the Emerging Workforce to find out how best to position this state for job creation.

After leaving office I became involved with the early stage financing of start-up companies before launching a biomedical device start up myself.

I have seen practically every side of our State's Economic Development Policies and now as the new Executive Director of the Business Incubator Association of New York State, an Association that represents over 80 different incubators from all across the State, I would like to offer the following testimony.

**Kaufmann Foundation Paper- "The Importance of Start Ups in Job Creation and Job Destruction" 2010**

**Summary:**

*It's well understood that existing companies of all sizes constantly create – and destroy – jobs. Conventional wisdom, then, might suppose that annual net job gain is positive at these companies. This study, however, shows that this rarely is the case. In fact, net job growth occurs in the U.S. economy only through startup firms.*

*The study bases its findings on the Business Dynamics Statistics, a U.S. government dataset compiled by the U.S. Census Bureau. The BDS series tracks the annual number of new businesses (startups and new locations) from 1977 to 2005, and defines startups as firms younger than one year old.*

*The study reveals that, both on average and for all but seven years between 1977 and 2005, existing firms are net job destroyers, losing 1 million jobs net combined per year. By contrast, in their first year, new firms add an average of 3 million jobs.*

*Further, the study shows, job growth patterns at both startups and existing firms are pro-cyclical, although existing firms have much more cyclical variance. Most notably, during recessionary years, job creation at startups remains stable, while net job losses at existing firms are highly sensitive to the business cycle.*

*Because startups that develop organically are almost solely the drivers of job growth, job-creation policies aimed at luring larger, established employers will inevitably fail, said the study's author, Tim Kane, Kauffman Foundation senior fellow in Research and Policy. Such city and state policies are doomed not only because they are zero-sum, but because they are based in unrealistic employment growth models.*

*And it's not just net job creation that startups dominate. While older firms lose more jobs than they create, those gross flows decline as firms age. On average, one-year-old firms create nearly one million jobs, while ten-year-old firms generate 300,000. The notion that firms bulk up as they age is, in the aggregate, not supported by data.*

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So what kind of programming do we need to help foster job creation?

The kind of programming that helps to de-risk the start up. Programming that is provided by our incubators and accelerators throughout this state to ensure that entrepreneurs have access to the best practices and institutional knowledge that exists from generations of successful companies in this state.

Incubators that offer consistent programs to train entrepreneurs on how to succeed are of paramount importance. But when I mention incubators, I am not necessarily just advocating for more bricks and mortar in this state. I am advocating for supporting the programming that happens inside of these incubators. One of the most vital sources of economic development funding is the operational funding that is provided to New York State Certified Incubators that helps to provide appropriate levels of support staff within our incubators that can assist entrepreneurs struggling with the Start Up process. A continuation and expansion of this type of funding is needed. According to the International Business Innovation Association, for every \$1 a State invests in the operational funding of an incubator, clients and graduates of that incubator generate \$30 in local tax revenue. Additionally, 84 percent of incubator tenants remain in the local community after graduating an incubator program.

[\(https://www.inbia.org/resources/business-incubation-faq\)](https://www.inbia.org/resources/business-incubation-faq)

**HotSpot Economic Impact:**

*In the 2014-15 contract year, with the first tranche (Round III awardees) of Innovation Hot Spots and Certified Business Incubators reporting, this program resulted in the creation of 285 jobs, the retention of 484 jobs, and about \$177.3 million in non-job economic impact.*

**StartUP New York Program:**

*Since the program's inception 2 and 1/2 years ago, the program has created 1,135 jobs. The cost of the program is approximately \$1.2 Million primarily derived from worker's savings on income tax payments to New York State. Although \$53 Million in advertising is often touted as one of the costs of the program, it does not make sense to include that cost into the analysis of the success of the initiatives. The firms in the program are mostly pre-revenue and would not be paying taxes anyway. This would be an annual cost of \$1000 per job, or \$3,000 to date. The firms involved with the program have invested almost \$100 Million into their businesses in New York State.*

It is important to note that State investment in early stage programs like the Hotspot program or Startup New York needs to be viewed with a different lens than our traditional Economic Development Programs, because you are not investing in operating companies that already have revenue, where that investment will result in immediate hiring. The State instead is creating an environment where the companies of tomorrow can take root here in the State, these companies have a 5-10-year product development cycle, it often takes 5-10 years for these companies to see any sales and revenue at all, but historically, those companies that survive grow at an exponentially higher rate than the traditional companies supported by our other economic development programs.

I am not advocating one model of economic development over the other, I am merely stating that both are important to diversify our future state economy, and that when judging the effectiveness of newer programs geared towards the startup innovation economy, the evaluator needs to understand that patience is required. We are seeing moderate economic improvements that are quite noticeable throughout the State, in every single region, but if we stay the course, these improvements that we are all seeing in our downtowns are just the beginning of a very exciting fast-moving innovation economy in New York State.

I would like to thank the Chairman and the Committee Members for giving me the opportunity to offer this testimony and BIANYS stands ready to work with you in any way we can to continue to improve the outlook in this State for taking ideas and Intellectual Property and turning them into companies, jobs, and economic opportunities for our residents. Thank you.