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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 15, 2025

Hope Knight
Commissioner, President, and CEO
Empire State Development
633 3rd Avenue
New York, NY 10017

Re: Oversight of Select High-Technology
Projects
Report 2024-F-19

Dear Commissioner Knight:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of Empire State Development (ESD) to implement the recommendations contained in our initial audit report, *Oversight of Select High-Technology Projects* (Report [2017-S-60](#)).

Background, Scope, and Objective

ESD is the chief agency responsible for the coordination of the State's economic development programs. Its mission is to promote a vigorous and growing State economy; encourage business investment and job creation; and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, tax credits, real estate development, marketing, and other forms of assistance. Toward this end, ESD undertakes projects intended to generate employment and economic benefits and provide financial assistance to companies locating or expanding in New York. To support its economic development mission, ESD states it invests strategically in infrastructure and innovation; supports the development of new businesses and industries that will contribute to the development of the 21st-century economy; provides early-stage support for new ventures (including the research and development of new technologies); and strengthens the State's innovation-based economy through partnerships with universities. According to ESD officials, high-technology (high-tech) sectors are highly valued targets of economic development due to a belief that they will yield higher rates of growth, attract greater capital investment, generate higher-paying jobs for workers, and produce other positive economic and fiscal benefits.

ESD supports high-tech sectors by providing loans and grants and administering tax credit projects. For example, ESD launched the FAST NY Shovel-Ready grant program in 2022 aimed at providing \$300 million to prepare and develop sites statewide and increase their attractiveness to large employers, including high-tech manufacturing, particularly semiconductor manufacturing, interstate distribution, and logistics businesses. ESD also administers a variety of tax credit programs including the Excelsior Jobs, Film Tax, and Life Sciences tax credits. In recent years, New York's semiconductor sector has grown to include companies such as

GlobalFoundries, Wolfspeed, onsemi, IBM, Edwards Vacuum—and the future site of Micron’s \$100 billion megafab facility, which will be the largest cleanroom facility in the nation. New York’s [Green CHIPS program](#) also offers up to \$10 billion in economic incentives for environmentally friendly “Green CHIPS” semiconductor manufacturing and supply chain projects.

The objective of our initial audit, issued on August 21, 2020, was to determine if ESD adequately monitored selected high-tech economic development programs and projects it oversees and whether these projects were achieving the intended employment goals. The audit covered the period from January 2013 through April 2019.

During the initial audit, we found that ESD had provided millions of dollars to private companies in high-tech sectors with the ultimate goal of creating jobs and increasing private investment. While ESD had effective practices for monitoring specific programs, such as those under ESD’s Division of Science, Technology and Innovation, it had not adequately monitored other high-tech projects within the SUNY Polytechnic and/or Buffalo Billion portfolio to ensure that taxpayer money was effectively spent and was producing the intended results. For example, we found the following deficiencies in ESD’s management and oversight of high-tech programs and projects:

- Initial project assessments lacked sufficient detail, such as reviews of the financial viability of beneficiary companies and cost-benefit analyses to assess the overall benefits of the projects, to justify the use of State funds.
- There was a lack of consistent and rigorous performance and evaluation standards for measuring whether programs and projects attained their intended goals.
- Public progress reports provided limited and conflicting information on high-tech projects’ progress, making it difficult to determine their current statuses.
- Despite millions of dollars of State funding, selected high-tech projects had yet to create the expected number of jobs. While these projects still had time to meet their total job commitments, it was unclear whether such goals would be met, given that much work remained to yield the overall employment and investment targets—in some cases, years after construction had been completed.

The objective of our follow-up was to assess the extent of implementation, as of February 2025, of the three recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

ESD officials made progress in addressing the issues identified in the initial audit report. Of the initial report’s three recommendations, one was implemented and two were partially implemented.

Follow-Up Observations

Recommendation 1

Conduct comprehensive assessments of the risks, costs, and economic benefits of projects before funding decisions are made to determine if projects should receive significant State investment.

Status – Implemented

Agency Action – ESD made updates to its benefit-cost assessment (BCA) model that it uses to determine if projects receiving significant State investment should be carried out. In developing the current model, ESD staff surveyed the best practices used among in-State and out-of-State economic development agencies, as well as several private consulting companies that undertake project and program benefit-cost analyses. ESD stated that the BCA model is updated on an annual basis with new economic forecast data from a private economic analysis firm. ESD also retained this firm to evaluate the Micron project; however, the project was ultimately approved before the contractor provided ESD with its report. ESD officials stated this was by design, and that ratios of State incentives vs. investment analysis updates were provided to them throughout the approval process. A draft report was also provided to ESD ahead of project approval. According to ESD officials, the BCA model is also undergoing further updates to enhance the ability to capture the economic benefits of potential projects. They stated these updates will be completed within the next year.

Recommendation 2

Develop standard performance metrics and then evaluate projects to determine their actual economic benefits compared with the State's investment.

Status – Partially Implemented

Agency Action – ESD has not developed specific performance metrics to evaluate projects but has made some progress in evaluating certain aspects of the economic benefits to the State. ESD contracted with a private firm in October 2024 to evaluate the return on investment for three program areas that include high-tech projects. The evaluations will examine, analyze, and report on the programmatic fiscal and economic impact and return on investment for each of the chosen programs. ESD also stated that the BCA incorporates a pay-for-performance structure to ensure ESD funding is provided only to projects that have satisfied the job creation, job retention, investment, or other requirements, and funding can be rescinded if these requirements are not met. However, as noted above, this process is still undergoing updates, the timing of some of the evaluation processes could be improved, and ESD did not provide any example where project funding was rescinded. ESD stated that most high-tech projects have Excelsior Tax Credits associated with them. To apply for the program, a business must submit a Consolidated Funding Application, which includes details on the background of the company, the project plan and timeline, a funding plan, projected job creation, and anticipated wages. Approved applicants will enter into a formal agreement with ESD that outlines a preliminary schedule of benefits including the business's job and/or investment requirements and the amount of tax credit that will be awarded when demonstrating they have met those requirements. Participants submit an annual Performance Report, along with supporting evidence, to demonstrate they have met their job and/or investment commitments. If ESD's review of the Performance Report confirms commitments have been met, ESD will issue a Certificate of Tax Credit indicating the amount of credit that may be claimed in that year. Benefits may be pro-rated or denied if actual activity falls short of the agreed-upon requirements. In addition, this program was evaluated through Department of Tax and Finance legislation by an independent firm, which found the Excelsior Jobs Program includes several mechanisms intended to ensure credits are deployed effectively and that only eligible businesses that have met their pledged job

and investment commitment will receive benefits, and generate a significantly positive return on investment as well as highly positive economic impacts. While this is a positive outcome, it does not speak to any ESD grant project funding and ongoing performance of those projects.

Recommendation 3

Standardize the public reporting of projects to eliminate discrepancies and provide the public with accurate information on project costs, statuses, and economic benefits using a clear and consistent method.

Status – Partially Implemented

Agency Action – After our initial audit, in 2020, ESD launched the Database of Economic Incentives, a searchable database for economic development projects, including those related to high technology. According to ESD, the database complements the information available on ESD's Reports website and increases the transparency of the State's economic development efforts. In 2023, ESD enhanced the database to increase the public's ability to analyze data. We queried the database to determine what information was available for certain high-tech projects and found information regarding program funding, project location, amount awarded, disbursements to date, jobs created, and jobs retained. The database contains information on over 63,000 projects in various statuses such as Active, Closed, and Terminated. However, when we looked for the 31 projects for which ESD performed a BCA since the original audit, we found information on only 12 of the projects. ESD officials explained that their benchmark for adding projects to the database is when the award recipient files an official Consolidated Funding Application, and that adding projects to the database prior to this was counterproductive when projects periodically don't move forward. In ESD's list of projects provided to us, it indicated that one project did not move forward and that no tax credits were issued prior to the project being terminated; however, there is an active project for this company in the database, which does show tax credits disbursed. While this may be a prior project awarded, not having the newly terminated project in the database may mislead viewers on what is happening with that company. The database contained no information for the remaining projects on the list.

Major contributors to this report were Peter Carroll, Robert Horn, Mark Womeldorph, and Austin Smith.

ESD officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report's issuance. We thank the management and staff of ESD for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Scott Heid
Audit Manager

cc: Felisa Hochheiser, Empire State Development