



New York State Assembly

Sheldon Silver
Speaker



2013

ANNUAL REPORT

Committee on
Small Business

William Scarborough
Chairman



THE ASSEMBLY
STATE OF NEW YORK
ALBANY



WILLIAM SCARBOROUGH
Assemblyman 29th District

CHAIRMAN
Committee on Small Business

COMMITTEES
Banking
Corporations, Authorities and Commissions,
Ways and Means

December 15, 2013

Honorable Sheldon Silver, Speaker
New York State Assembly
Legislative Office Building, Room 932
Albany, New York 12248

Dear Speaker Silver:

Throughout the 2013 Legislative Session, the Committee remained dedicated to responding to the needs of small businesses. Our efforts led to the passing of legislation aimed at helping small businesses thrive in today's challenging marketplace.

The Committee advanced legislation designed to: help small businesses to comply with environmental laws and regulations; help create better access to capital through the expansion of the Small Business Revolving Loan Fund Program; ease the regulatory burden of small businesses; and, require Empire State Development to prepare an annual report that would analyze the impact of state and local regulations, fine, and penalties on small businesses.

The Committee will continue to examine the full range of issues affecting the needs of small businesses; we look forward to playing an active and productive role in these areas in 2014. I join with my colleagues on the Small Business Committee in commending you for your commitment to supporting small businesses. The Committee eagerly anticipates another session under your leadership so that we can continue efforts to create a productive business climate for the thousands of small businesses across New York State.

Sincerely,

A handwritten signature in cursive script that reads "William Scarborough".

William Scarborough, Chairman
Committee on Small Business

**2013
ANNUAL REPORT**

**NEW YORK STATE ASSEMBLY
STANDING COMMITTEE ON SMALL BUSINESS**

**William Scarborough
Chairman**

Committee Members

Majority

José Rivera
Annette Robinson
Vanessa L. Gibson
Edward Braunstein
Samuel D. Roberts
Aravella Simotas
Michael Simanowitz
Rafael Espinal, Jr.
Karim Camara
Frank Skartados
Mark Gjonaj
Angelo Santabarbara

Minority

David DiPietro
Bill Reilich
Annie Rabbitt
Steven F. McLaughlin

Staff

Giovanni Warren, Assistant Secretary for Program and Policy
Steven McCutcheon, Legislative Analyst
Victoria Choi, Associate Counsel
Glynnis Marshall, Committee Clerk

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I. INTRODUCTION, COMMITTEE JURISDICTION AND ACTIVITY

New York's small business sector continues to prove itself as one of the driving forces in the State's economy. Small businesses are defined in State law as those employing 100 or fewer people. According to the U.S. Department of Commerce, over 400,000 enterprises qualify as small businesses under New York State law, comprising 97 percent of the State's established firms. The small business sector in New York includes industries such as construction, retail, and health care services among many others, with a large share of owners from New York's minority and female community. In the recent recession, small businesses in New York were highly vulnerable to the effects of the economic downturn, including a lack of consumer demand and poor sales. As the economy recovers, it has been a priority of the Committee to pass legislation that assists small businesses to improve access to credit and technical services for small businesses and Minority- and Women-owned Business Enterprises. Historically, small businesses and start-up enterprises have led the way in job creation after a recession begins to subside and the Committee remains committed to such growth as New York recovers from this recession.

The Committee works closely with a number of State agencies and entities to ensure they are serving the needs of the small business community, including the Department of Economic Development and the Empire State Development Corporation, which are the State's chief economic development entities. The Committee also oversees the work of the State University of New York in administering the Small Business Development Centers Program.

During the 2013 Legislative Session, the Standing Committee on Small Business reported 13 bills favorably. In addition, a number of bills that were important to small businesses but were referred to other committees became law with the assistance and input of the Small Business Committee.

II. 2013-2014 SMALL BUSINESS BUDGET OUTCOME

The Committee on Small Business supported key initiatives to boost New York's economy and create jobs and opportunities for small businesses and entrepreneurs. The following are budget highlights that impact small businesses in New York State.

PROGRAMMATIC ISSUES

Urban Development Corporation / Empire State Development Corporation

The Urban Development Corporation (UDC) currently does business as the Empire State Development Corporation (ESDC). The mission of the UDC/ESDC is to promote economic development and real estate development by providing financial assistance to local governments, businesses, and not-for-profit corporations engaged in economic development activities. The following are highlights relating to small business programs that are funded through the UDC/ESDC:

- Regional Economic Development Councils, an initiative of Governor Cuomo and supported by the Assembly, have representation from the small business community and are formulating Strategic Plans that will help and encourage future small business growth. Additionally, this will help create and retain jobs, prevent, reduce or eliminate unemployment and underemployment, and increase business activity in a community or region. This is the third round of funding that has been awarded for this initiative for a total of **\$220 million** (\$150 million in capital and \$70 million in tax credits).
- Empire State Economic Development Fund (**\$31 million**) provides funds for projects to promote the economic health of New York State by facilitating the creation and/or retention of jobs and the increase of business activity in the State.
- Business Incubator and Innovation Hot Spot Program (**\$1.2 million**) promotes a state-wide network of university or college affiliated and private sector affiliated innovation hot spots in New York State to support start-up companies and those in the early stages of development by providing tax benefits for new businesses located in the "innovation hot spots." Businesses may apply to the Empire State Development Corporation to receive funding to assist with operation and development. Additionally, business incubators in the program can also apply for designation as a "hot spot" through their Regional Economic Development Council.
- START-UP NY, an initiative of Governor Cuomo and supported by the Assembly, will foster entrepreneurialism and job creation on a large scale by transforming public higher education into business friendly communities across the State. The university and college campuses will serve as the framework of the START-UP NY program to attract high-tech and other start-ups, venture capital, new business and investments from across the world. START-UP NY will entice companies to bring their ventures to New York by offering new businesses the opportunity to operate completely tax-free including no income tax for

employees and no sales, property or business tax while also partnering with the world-class higher education institutions in New York State.

- Minority- and Women-Owned Business Development and Lending Program (**\$1 million**) provides funding for local loan funds to startup minority- and women-owned business enterprises (MWBES) and provides funds for business development in economically distressed areas. The increase to this program reflects the Assembly's continual support to a program that provides opportunities for MWBEs.
- Urban and Community Development Program (**\$3.4 million**) provides technical assistance and capital for the start up of "micro-enterprise" businesses, as well as provides funds for development in economically distressed communities.
- Entrepreneurial Assistance Program (**\$1.764 million**) provides comprehensive assistance in starting a new business and helping existing businesses succeed.
- Community Development Financial Institutions (**\$1.5 million**) promote community development in economically distressed areas by providing loans, investments and/or banking services to individuals and small businesses that reside in such areas.
- Centers for Advanced Technology (CATs), which collaborate with New York companies on the development of new technologies and products and create new businesses and high-quality jobs throughout the State, were fully funded at **\$13.8 million** for the 15 existing CATs that are located throughout the State.
- Technology Development Organizations, which provide technical assistance to high-tech companies seeking to remain competitive, were funded at a total of **\$1.38 million**.
- Centers of Excellence (**\$5.234 million**) provide funding and support major upgrades of research facilities and other high technology and biotechnology capital projects, allowing colleges, universities, and research institutions to secure research funding that will lead to new job creation.
- EB-5 Immigrant Investor Program (**\$150,000**) provides funding for the York College Small Business Development Center to stimulate job creation. Under the EB-5 Program, foreign investors who invest at least \$500,000 in local businesses or create at least 10 new jobs are provided visas to reside in the United States.
- Small Business Revolving Loan Program (**\$25 million**) provides loans to support the growth of small businesses. The program targets minorities, women and other businesses and entrepreneurs who have difficulty in accessing regular credit markets. Additionally, the program will now allow small businesses that have certified contracts with government agencies to be eligible for "bridge loans" that they can use to fulfill the contract. These loans can also be used to carry a business between the completion of the contract and the time the agency makes payment to the businesses.

III. MAJOR ISSUES OF 2013

A. REGULATORY REFORM

Creates Minority- and Women-Owned Business Enterprises Regional Advocates

(A.1986, Titus; Passed Assembly)

The State promotes Minority- and Women-Owned Business Enterprises (MWBEs) within New York by providing technical, managerial, financial, and educational support. This bill would provide further support by appointing regional advocates for such businesses. Advocates would act as liaisons for MWBEs and aid in resolving concerns regarding certification delays, investigating complaints, and assisting in the certification process. Advocates will also play an important role in developing educational outreach programs and creating awareness of competitive grant programs. Additionally, advocates would be located in each of the regional offices of the Department of Economic Development.

Creates the Main Street Center Grant Program

(A.2353, Scarborough; Referred to Ways and Means)

The bill would allow the Division for Small Business to advise and make recommendations to the Commissioner of the Department of Economic Development on matters affecting micro-enterprises, which consist of fewer than five employees, and creates a Main Street Center Grant Program for façade renovation and interior rehabilitation. It also directs the State to make rule-making information available to the public.

Provides Grants for Early Stage Financing of Small Environmental Technology Businesses

(A.5536-A, Gaberyszak; Passed Assembly)

This bill allows the Empire State Development Corporation (ESDC) to issue capital grants to encourage and support innovative energy and environmental technology development in New York State. Additionally, the bill authorizes ESDC, in consultation with the New York State Energy Research Development Authority and the Department of Environmental Conservation, to develop criteria to be used in evaluating grant applications.

Creating the Small Business Crime Prevention Services Program

(A.6931, Solages; Passed Assembly)

This bill establishes the Small Business Crime Prevention Services Program under the Empire State Development's Division of Small Business to provide small businesses with information on strategies, best practices, and programs offering training and assistance in the prevention of crimes in and around the premises of small businesses or otherwise affecting small businesses. These crimes include assault, arson, other violent felony offenses, robbery, burglary, theft, identity theft and fraud, vandalism, graffiti, and other property damage.

Resolution Requiring Phone Companies to Have a “Trigger” to Freeze Small Business Accounts When Evidence of Hacking Occurs

(K.489, Scarborough; Adopted by Assembly)

This resolution would request the New York State Congressional delegation to enact legislation to require the telephone communication industry and the Federal Communications Commission to take immediate steps to provide stringent fraud detection services for small business phone lines and to eliminate the charges small businesses may incur from such scams.

B. BUSINESS CREATION ASSISTANCE

Creates the Small Business Innovation Research Program within UDC

(A.2032-A, Schimminger; Referred to Ways and Means)

This bill would allow small business to continue to pursue research and development while waiting for SBIR Phase II grant fund, a period of time in which no federal funds are available. The amount granted would be equal to the amount of the federal SBIR awarded or \$50,000, whichever is the lesser amount.

Entrepreneurship Assistance Centers

(A.2585-A, Scarborough; Passed Assembly)

The Entrepreneurial Assistance Program (EAP) establishes centers in local communities to provide instruction, training, technical assistance, and support services to individuals who have recently started their own business or are interested in starting a business. EAP assists new and aspiring entrepreneurs in developing basic business management skills, refining business concepts, devising early-stage marketing plans, and preparing action plans. In addition, EAP actively assists client efforts to obtain business financing. Two thirds of the centers operate or are formally affiliated with a micro loan fund. This bill merges the separate sections of law that govern how an EAP center functions and allows the EAP to help a broader cross-section of small businesses. This legislation will streamline the program and more accurately reflect how it has evolved.

Creates the Small Business Innovation Research / Small Business Technology Transfer Technical Assistance Program

(A.3057-A, Schimminger; Referred to Ways and Means)

The bill authorizes the Urban Development Corporation to provide assistance to small businesses through outreach to promote awareness of the federally funded Small Business Innovation Research and Small Business Technology Transfer Research Programs and through technical assistance to small businesses to ensure a successful proposal to obtain federal funds.

Creates the Small Business and Minority- and Women-Owned Business Enterprise Database
(A.4169-A, Scarborough; Passed Assembly)

This bill would create a directory for small businesses and Minority- and Women-Owned Business Enterprises that provide businesses with information for technical and financial programs at the state, federal, private, and non-profit levels. This is a recommendation of the Small Business Task Force and has been successfully implemented in New York City.

Creates the Micro Business Outreach Center Assistance Program
(A.4358, Scarborough; Referred to Ways and Means)

This legislation creates the Micro Business Outreach Center Assistance Program to ensure that business outreach centers serving micro-enterprises will be able to provide the opportunity and benefits of these services to a greater population throughout New York State, as well as receive federal funding to assist in the operation of the program.

Ensuring Energy Assistance to Small Businesses
(A.6640-A, Santabarbara; Passed Assembly)

According to the U.S. Energy Information Administration, New York has the second highest electricity costs in the United States. This legislation would create the Small Business Energy Assistance and Advocacy Services Program within the Department of Economic Development to ensure assistance to small businesses with energy conservation, streamlining, and planning their energy use. The Program would solicit input from organizations representing small businesses regarding their energy assistance needs and identify issues relating to energy availability, affordability, and sustainability.

The Program would also be required to facilitate coordination between small businesses and entities such as the New York State Energy Research and Development Authority, the New York Power Authority, and others in the development of energy assistance programs and to provide small businesses with information and materials regarding energy assistance programs, including access from the Empire State Development's website.

Small Business Annual Report
(A.7483, Gjonaj; Chapter 451)

This law requires the Division for Small Business within the Department of Economic Development to compile an annual report on the state of small and micro businesses, including information and analysis on the impact of state and local regulations, fines and penalties.

C. CAPITAL FORMATION & DEVELOPMENT

Small Business Energy Loan Program

(A.2587, Scarborough; Referred to Ways and Means)

New York has the second highest electricity costs in the United States and this is often cited by small businesses as a key factor for why New York-based businesses and New York-made products are not competitive in national and global markets. The State's economic expansion is tied to the growth and development of small businesses. By reducing a primary cost driver in a rapidly growing sector of the State's economy, those businesses are rendered more competitive and help New York retain and attract businesses.

This legislation seeks to encourage the adoption and installation of more efficient alternative energy technologies by small businesses. This measure would provide zero- and low-interest loans or loan interest rate reductions for energy improvement projects in economically distressed areas to stimulate the growth and development of small businesses and jobs.

Creates the Niche Markets Assistance Program

(A.6749, Barron; Referred to Ways and Means)

The bill creates a Niche Markets Assistance Program to assist small manufacturers and food processing businesses in promoting economic development. A "niche market" is a targeted market composed of individuals and businesses that have similar interests and needs, which can be readily identified and that can be easily targeted and reached, or group of potential customers who share common characteristics making them especially receptive to the company's product, service or opportunity.

The Program would also authorize the Urban Development Corporation to provide assistance to niche market assistance projects designed to encourage and assist small- and medium-sized manufacturing or food processing businesses with fewer than 250 employees to identify and develop niche markets for their products.

D. PUBLIC HEARINGS / ROUNDTABLES

Small business owners can provide valuable information to public policy discussions, hearings and roundtables. By having these forums, the Small Business Committee can focus its energy on legislation that will benefit the State as a whole.

Examine ways in which New York State can reduce “red tape” to ensure streamlined and efficient interactions between small businesses, municipalities, and state agencies.

In conjunction with the Assembly Committee on Banks, the Assembly Committee on Economic Development, Job Creation, Commerce and Industry, the Assembly Committee on Governmental Operations, and the Assembly Committee on Oversight, Analysis and Investigation, the Small Business Committee held a public hearing on June 26, 2013 to review how the State can better serve small businesses by coordinating its various services to reduce duplication, eliminate antiquated practices and streamline regulatory requirements. Additionally, it reviewed municipal practices regarding fines and fees that are assessed on small businesses, determined their efficiency and necessity, and sought alternative methods of government interaction that lead to further economic growth for small businesses. The Sponsoring Committees received testimony from small businesses, government agencies, the banking and financial services communities, and non-profit organizations, in an effort to ensure that the needs of small businesses were effectively identified.

In conjunction with the Assembly Committee on Economic Development, Job Creation, Commerce and Industry, the Small Business Committee held a public hearing on December 12, 2013 to review the State Fiscal Year 2013-2014 budget’s overall impact on the State’s economic development programs.

IV. OUTLOOK FOR 2014

The Small Business Committee will continue to work to address the needs of small businesses and Minority- and Women-owned Business Enterprises (MWBEs), creating an environment that supports their recovery from the recent recession and their future growth right here in New York. Issues of access to capital, the expansion of MWBEs, workforce development, contracting with State and local government, energy assistance, veterans' business assistance and immigrant owned business assistance are priorities of the Committee. As New York continues to recover from the recession and natural disasters that hit our area over the last several years, the Committee understands that small businesses, start-up enterprises and MWBEs are very important to job creation in New York.

APPENDIX A

2013 SUMMARY SHEET

**Summary of Action on All Bills
Referred to the Committee on**

SMALL BUSINESS

<u>Final Action</u>	<u>Assembly Bills</u>	<u>Senate Bills</u>	<u>Total</u>
<u>Bills Reported With or Without Amendment</u>			
To Floor: Not Returning to Committee	0	0	0
To Floor: Recommitted and Died	0	0	0
To Ways and Means	12	0	12
To Codes	0	0	0
To Rules	1	0	1
To Judiciary	0	0	0
Total	13	0	13
<u>Bills Defeated in Committee</u>	0	0	0
<u>Bills Never Reported, Held in Committee</u>	9	1	10
<u>Bills Never Reported, Died in Committee</u>	0	0	0
<u>Bills Having Enacting Clauses Stricken</u>	0	0	0
<u>Motions to Discharge Lost</u>	0	0	0
Total Bills in Committee	22	1	23
<u>Total Number of Committee Meetings Held</u>		4	

APPENDIX B

FINAL ACTION ON BILLS REPORTED BY THE SMALL BUSINESS COMMITTEE			
ASSEMBLY BILL # SPONSOR	SENATE BILL # SPONSOR	FINAL ACTION	DESCRIPTION
A.2032-A Schimminger	S.104-A Gallivan	Referred to Ways and Means	Provides funding to small businesses to bridge the gap between Phase I and Phase II of the federal SBIR Program.
A.6931 Solages	S.2593 Latimer	Passed Assembly	Establishes the Small Business Crime Prevention Services Program.
A.6640-A Santabarbara	S.2057-A Latimer	Passed Assembly	Establishes a Small Business Energy Assistance and Advocacy Services Program.
A.1986 Titus	S.5285 Hassell-Thompson	Passed Assembly	Creates Minority- and Women-Owned Business Enterprises regional advocates.
A.2353 Scarborough	No Same As	Referred to Ways and Means	Creates a Main Street Center Grant Program for façade renovation and interior rehabilitation.
A.2587 Scarborough	S.1739 Espaillat	Referred to Ways and Means	Provides low interest loans for energy improvement projects.
A.4358 Scarborough	S.4574 Stewart-Cousins	Referred to Ways and Means	Creates the Micro Business Outreach Center Assistance Program.
A.6749 Barron	S.1248 Perkins	Referred to Ways and Means	Creates the Niche Markets Assistance Program.
A.3057-A Schimminger	S.154-A Gallivan	Referred to Ways and Means	Provides assistance to small businesses through outreach to promote awareness of the federally funded Small Business Innovation Research and Small Business Technology Transfer Research Programs.
A.4169-A Scarborough	S.898-A Parker	Passed Assembly	Creates a directory for small businesses and Minority- and Women-Owned Business Enterprises.

A.2585-A Scarborough	S.4206-A Hassell-Thompson	Passed Assembly	Creates the Entrepreneurship Assistance Centers.
A.5536-A Gabryszak	S.1120-A Maziarz	Passed Assembly	Provides capital grants to encourage and support innovative energy and environmental technology development in New York State.
A.7483 Gjonaj	S.5659 Valesky	Passed Assembly	Requires the Division for Small Business to compile an annual report on the state of small and micro businesses, including information and analysis on the impact of state and local regulations, fine, and penalties.
K.489 Scarborough	No Same As	Adopted	Requires phone companies to have a “trigger” to freeze small business accounts when evidence of hacking occurs.