

NEW YORK STATE ASSEMBLY • SHELDON SILVER, SPEAKER



# 2014 ANNUAL REPORT



Committee on  
**Small Business**

*William Scarborough, Chairman*

THE ASSEMBLY  
STATE OF NEW YORK  
ALBANY



WILLIAM SCARBOROUGH  
Assemblyman 29<sup>th</sup> District

CHAIRMAN  
Committee on Small Business

COMMITTEES  
Banking  
Corporations, Authorities and Commissions,  
Ways and Means

December 15, 2014

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

Dear Speaker Silver:

I am pleased to submit the 2014 Annual Report of the Assembly Standing Committee on Small Business. Throughout the 2014 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 prosper in today's challenging marketplace.

The Committee worked on legislation to boost New York's economy, as well as create jobs and opportunities for small businesses and entrepreneurs across the State. The Committee advanced legislation designed to: promote cross regional small business development; to help small businesses to become more energy and environmentally efficient; to promote minority- and women-owned businesses; and ease the regulatory burden on small businesses. Also, during the budget process, the Committee was instrumental in drafting a new Minority- and Women-Owned Business Investment Fund within the Minority- and Women-Owned Business Development Lending Program to provide critical financial support to foster the development of new and emerging ideas and promote long-term financial performance and success of early stage minority- and women-owned business enterprise start-ups.

The Committee will continue to examine the full range of issues affecting the needs of small businesses and we look forward to playing an active and productive role in these areas in 2015. I join with my colleagues on the Small Business Committee in commending you for your commitment to supporting small businesses. The Committee looks forward to the next legislative session 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, Chair  
Committee on Small Business

**2014  
ANNUAL REPORT**

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

**William Scarborough  
Chairman**

**Committee Members**

**Majority**

José Rivera  
Annette Robinson  
Edward Braunstein  
Samuel D. Roberts  
Aravella Simotas  
Michael Simanowitz  
Karim Camara  
Frank Skartados  
Mark Gjonaj  
Angelo Santabarbara  
Victor Pichardo

**Minority**

David DiPietro  
Steven F. McLaughlin  
Christopher Friend  
Kieran Michael Lalor

**Staff**

Giovanni Warren, Assistant Secretary for Program and Policy  
Debra Jenkins, 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, technology-related and health care services among many others, with a large share of owners from New York's minority and female community.

In the most recent recession, small businesses in New York were destabilized as a result of the economic downturn, including a lack of consumer demand and access to capital. As the economy continues to recover, it remains a Committee priority to promote legislation 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 the effects of the recent 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 2014 Legislative Session, the Standing Committee on Small Business reported 14 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. 2014-2015 SMALL BUSINESS BUDGET OUTCOME

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

### PROGRAMMATIC ISSUES

#### Urban Development Corporation / Empire State Development Corporation

- The budget created a new Minority- and Women-Owned Business Investment Fund within the Minority- and Women-Owned Business Development Lending Program to provide critical financial support to foster the development of new and emerging ideas and promote long-term financial performance and success of early stage minority- and women -owned business enterprise start-ups.
- The Assembly restored **\$365,000** to the Minority- and Women-Owned Business Development Lending Program for a total appropriation of **\$1 million**. The Minority- and Women-Owned Business Development and Lending Program provides funding for local loan funds to start-up minority- and women-owned business enterprises (MWBEs) and provides funds for business development in economically distressed areas. The restoration to this program reflects the Assembly's continual support to a program that provides opportunities for MWBEs.
- Empire State Economic Development Fund (EDF) 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. The EDF was funded at **\$31 million**.
- **\$8.7 million** in funding was approved for the Centers of Excellence, which are collaborative public-private partnerships that commercialize scientific discoveries in such fields as nanoelectronics, bioinformatics, photonics, environmental systems, wireless applications, and information technology. This budget funds all the Centers of Excellence, including the four newest centers, at the same amount of **\$872,333** each.
- **\$50 million** in capital funding and a **\$2.6 million** funding restoration was provided for the College of Nanoscale Science and Engineering (CNSE). CNSE's state-of-the-art facilities and public-private sector partnerships have received worldwide recognition from the computer chip manufacturing industry and its economic footprint has benefitted businesses throughout the State.
- Entrepreneurial Assistance Program (EAP) provides comprehensive assistance in starting a new business and helping existing businesses succeed. The EAP was funded at **\$1.764 million**. An additional **\$350,000** was provided for a veteran's entrepreneurial assistance program.

- 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**.
- Community Development Financial Institutions that 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 were funded at a total of **\$1.8 million**.
- Business Incubator and Innovation Hot Spot Program was funded at **\$3.75 million**. This program promotes a statewide network of university or college affiliated, 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.”
- Regional Economic Development Councils (REDCs), with input from the business community, have formulated Strategic Plans designed to stimulate economic growth. The goal of the REDCs is to help create and retain jobs; prevent, reduce or eliminate unemployment and underemployment; and increase business activity in a community or region. This year’s budget provided **\$150 million** in capital funds to the REDCs.
- Urban and Community Development Program was funded at **\$3.4 million**. This program provides technical assistance and capital for the start-up of “micro-enterprise” businesses, as well as funds for development in economically distressed communities.
- Other economic development programs approved for in the budget include **\$600,000** for the Rensselaer Polytechnic Institute Smart Lighting project and **\$600,000** for Advanced Manufacturing in Central New York.

In addition to funding numerous economic development programs, the enacted FY 2014-2015 budget also provided for several tax benefits from various new or extended tax provisions for which small businesses may qualify, such as:

- Small businesses that qualify as manufacturers will face a zero percent income tax rate, as well as 20 percent off their real property taxes; and
- Depending on the individual circumstances and use of various credits they may be able to benefit from:
  - Extension of the commercial production credit;
  - The Youth Credit, if they employ certain youth;

- Credit if they hire developmentally disabled individuals; or
- The extension of certain New York City and Lower Manhattan tax abatements.



### III. MAJOR ISSUES OF 2014

#### A. REGULATORY REFORM

##### **Creates the Main Street Center Grant Program**

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

The bill would allow the Division for Small Business, under the Department of Economic Development (DED), to provide guidance and make recommendations to the Commissioner of the DED on matters affecting micro-enterprises. For the purposes of this legislation, a micro-enterprise is defined as an enterprise or business that consists of fewer than five employees. This bill would also create a Main Street Center Grant Program for façade renovation and interior rehabilitation. Additionally, the bill directs the State to make rule-making information available to the public.

##### **Provides Grants for Early Stage Financing of Small Environmental Technology Businesses**

(A.8900-A, Pichardo; Passed Assembly)

This bill would allow the Empire State Development (ESD) to issue capital grants to encourage and support innovative energy and environmental technology development in New York State. Additionally, the bill would authorize ESD, 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.

#### B. BUSINESS CREATION ASSISTANCE

##### **Establishes Cross Regional Small Business Partnerships**

(A.8308-B, Lentol; Vetoed, Massage No. 541 of 2014)

This bill would authorize the Division for Small Business, under the Department of Economic Development, to develop a Cross Regional Small Business Partnership Program. The Program would be required to initiate and encourage small business ventures that foster joint development in one or more regions of the State. Further, this bill would cultivate the use of products that are grown, made, processed or manufactured in New York, as well as encourage the use of shared facilities, when feasible, for the processing, production or manufacturing of products. This bill was designed to enhance the natural relationship that exists between urban and upstate businesses and to support job development within the State as a whole.

##### **Requires Small Business Annual Reporting**

(A.8620, Gjonaj; Chapter 16)

This law is a technical amendment to Chapter 451 of the Laws of 2013, which requires the Division for Small Business, under the Department of Economic Development, to prepare an annual *State of Small Businesses* report. The report is required to include relevant and available employment, statistical, and economic data on the various small business sectors, as well as

identification and review of State and local regulations particular to these businesses. The Division, on or before June 1<sup>st</sup>, would be required to annually submit this report to the Governor and the Legislature.

**Creates the Small Business Innovation Research Program within the Urban Development Corporation**

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

This bill would provide State funding to small businesses in the Small Business Innovation Research (SBIR) Program. Small businesses who have already received a phase I SBIR grant could use the additional time to continue research and development efforts before applying for SBIR phase II grant funds, a period of time during which federal funds are not available. The amount granted would be equal to the amount of the federal SBIR awarded or \$50,000, whichever is the lesser amount.

**Authorizes Entrepreneurship Assistance Centers**

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

This legislation would authorize the Entrepreneurial Assistance Program (EAP) to help a broader cross-section of small businesses throughout the State. The Program would be streamlined to accurately reflect how it has evolved since it was initially created. EAP centers are situated 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 centers routinely assist new and aspiring entrepreneurs in developing basic business management skills, refining business concepts, devising early-stage marketing plans, obtaining financing, and preparing action plans.

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

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

The bill would authorize the Urban Development Corporation to provide aid to small businesses in applying for grants from the federally funded Small Business Innovation Research and Small Business Technology Transfer Research (SBIR/STTR) Programs. This would be accomplished by providing outreach to small businesses in order to promote awareness of SBIR/STTR grants, as well as counseling and technical assistance to apply for those federal grants.

**Creates the Small Business and Minority- and Women-Owned Business Enterprise Database**

(A.4169-A, Scarborough; Passed Assembly)

This bill would require the Department of Economic Development to create and maintain an online registry of State, federal, private, and non-profit technical and financial programs available to minority- and women-owned business enterprises and small businesses. Currently, a small business directory, created by Executive action, does exist. However, the directory in its

current form has not maintained its content and there is no binding legal requirement to enforce compliance on the Department. This initiative was a recommendation of the Small Business Task Force and a similar database has been successfully implemented and updated by New York City.

**Creates the Micro Business Outreach Center Assistance Program**

(A.4358, Scarborough; Referred to Ways and Means)

This legislation would create the Micro Business Outreach Center Assistance Program. The Program would be purposed with ensuring that business outreach centers serving micro-businesses are able to provide the opportunities and benefits of their services to a wider business population throughout New York State.

**Creates the Small Business Environmental Fund**

(A.5578, Scarborough; Referred to Ways and Means)

This legislation would provide pollution prevention, control, and compliance assistance to small businesses by creating, within the Urban Development Corporation, a Small Business Environmental Fund. The Fund would provide loans to small businesses to finance the purchase, lease, installation or acquisition of pollution control equipment.

**Ensures Energy Assistance to Small Businesses**

(A.6640-B; Santabarbara; Passed Assembly)

This legislation would create the Small Business Energy Assistance and Advocacy Services Program within the Department of Economic Development to ensure assistance is available 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. Further, 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.

**C. CAPITAL FORMATION & DEVELOPMENT**

**Establishes the Small Business Energy Loan Program**

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

According to the U.S. Energy Information Administration, New York has the second highest electricity costs in the United States. This is often cited by small businesses as a key factor for why New York-based businesses and New York-made products are not as competitive in national and global markets. The State's economic expansion is tied to the growth and development of small businesses and reducing a primary cost component, like energy, can help New York State retain and attract more businesses and allow existing businesses to become more competitive. This bill would 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 HIRE-NY**

(A.8513-A, Scarborough; Referred to Ways and Means)

This bill would create the “Hire Individuals in the Real Economy New York” Program (HIRE-NY) within the Urban Development Corporation. If a small business qualifies, then it could be eligible for zero interest loans to hire New York residents. A small business, for the purposes of this act, is a business that has five or fewer employees. This program would assist both New York State residents looking for employment, as well as small businesses seeking to expand.

### **Establishes Small Business Tax-Deferred Savings Accounts**

(A.8653-A, Lavine; Referred to Ways and Means)

This bill would allow small businesses to deposit profits into a small business tax-deferred savings account. Any funds in a small business tax-deferred savings account would only be withdrawn tax free if it is used to create or preserve full time jobs.

## **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.

### **1. June 4, 2014, Roundtable Discussion**

The Small Business Committee members recognize that in New York State, micro-businesses provide a significant contribution to the State’s overall economy. Promoting micro-business development is an economic strategy that gives the average citizen the opportunity to be an entrepreneur and become an integral part of their communities, as well as the State’s long-term economic well-being. Micro-businesses generate jobs, often in communities with high unemployment, and provide a route to economic self-sufficiency, especially for minorities and women.

The Committee held a roundtable discussion on June 4, 2014 to examine the State’s current role in providing assistance and outreach to micro-businesses and to seek guidance on how these efforts can be adjusted to meet the future needs of these businesses. The roundtable discussed the suite of assistance programs such as the Minority- and Women-Owned Business Development and Lending Program, various Revolving Loan Funds, the Entrepreneurial Assistance Program, Small Business Development Centers, the Self-Employment Assistance Program, Innovate NY, State Procurement Assistance, and the Rural Revitalization Program that are available to micro-businesses. The discussion focused on how the programs work in day-to-

day applications, which programs are working well, which programs need to be improved, and how to best assist micro-businesses going forward.

**2. November 21, 2014, Hearing on the Implementation of the Service-Disabled Veteran-Owned Business Act.**

The Small Business Committee held a joint public hearing with the Assembly Standing Committees on Governmental Operations, Veterans' Affairs, and the Assembly subcommittee on Women Veterans on the implementation of the Service-Disabled Veteran-Owned Business Act (the Act).

The FY 2014-2015 Budget included the Act in an effort to provide economic opportunities to the honorable men and women who have served our country by creating greater opportunities for their participation on New York State contracts. The Act created a new Division of Service-Disabled Veterans' Business Development (the Division) within the Office of General Services (OGS) to implement this initiative. The Division is responsible to certify service-disabled veteran-owned business enterprises. The Act also establishes a goal of six percent of the State's procurement contracts be awarded to certified businesses owned by service-disabled veterans, requires monitoring and annual reporting, and implements a results-driven review process to record and identify processes and procedures of the Division that are working or are in need of improvement. This hearing examined the initial implementation of the Program.

#### **IV. OUTLOOK FOR 2015**

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**

**2014 SUMMARY SHEET**

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

**SMALL BUSINESS**

<b><u>Final Action</u></b>	<b><u>Assembly Bills</u></b>	<b><u>Senate Bills</u></b>	<b><u>Total</u></b>
<b><u>Bills Reported With or Without Amendment</u></b>			
To Floor: Not Returning to Committee (Favorable)	1		1
To Ways and Means	13		13
To Codes	0		0
To Rules	0		0
To Judiciary	0		0
<b>Total</b>	14		14
<b><u>Senate Bills Substituted or Recalled</u></b>			
Substituted		1	1
Recalled		0	0
<b>Total</b>		1	1
<b><u>Bills Defeated in Committee</u></b>	0	0	0
<b><u>Bills Held for Consideration, Roll-Call Vote</u></b>	2	0	2
<b><u>Bills Never Reported, Died in Committee</u></b>	7	1	7
<b><u>Bills Having Enacting Clauses Stricken</u></b>	1	0	1
<b><u>Motions to Discharge Lost</u></b>	0	0	0
<b>Total Bills in Committee</b>	24	2	26
<b><u>Total Number of Committee Meetings Held</u></b>		4	

**APPENDIX B**

<b>ASSEMBLY BILL # SPONSOR</b>	<b>FINAL ACTION</b>	<b>DESCRIPTION</b>
A.2032-A Schimminger	Referred to Ways and Means	This bill would provide funding to small businesses to bridge the gap between Phase I and Phase II of the federal SBIR Program.
A.2353-B Scarborough	Referred to Ways and Means	This bill would create a Main Street Center Grant Program for façade renovation and interior rehabilitation.
A.2585-B Scarborough	Passed Assembly	This bill would create Entrepreneurship Assistance Centers.
A.2587-B Scarborough	Referred to Ways and Means	This bill would provide low interest loans for energy improvement projects.
A.3057-B Schimminger	Referred to Ways and Means	This bill would 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.
A.4169-A Scarborough	Passed Assembly	This bill would create a directory for small businesses and minority- and women-owned business enterprises.
A.4358 Scarborough	Referred to Ways and Means	This bill would create the Micro Business Outreach Center Assistance Program.
A.5578 Scarborough	Referred to Ways and Means	This bill would provide pollution prevention, control and compliance assistance to small businesses by creating, within the Urban Development Corporation, a Small Business Environmental Fund.
A.6640-B Santabarbara	Passed Assembly	This bill would establish a Small Business Energy Assistance and Advocacy Services Program.
A.8308-B Lentol	Vetoed, Message No. 541 of 2014	This bill would authorize the Division for Small Business, under the Department of Economic Development, to develop a Cross Regional Small Business Partnership Program.
A.8513-A Scarborough	Referred to Ways and Means	This bill would create the “Hire Individuals in the Real Economy New York” Program (HIRE-NY) within the Urban Development Corporation.



A.8620 Gjonaj	Chapter 16, Laws of 2014	This law is a technical amendment to a law enacted in 2013 (Chapter 451), which requires the Division for Small Business, under the Department of Economic Development, to prepare an annual State of Small Businesses report.
A.8653-A Lavine	Referred to Ways and Means	This bill would allow small businesses to deposit profits into a small business tax-deferred savings account.
A.8900-A Pichardo	Passed Assembly	This bill would provide capital grants to encourage and support innovative energy and environmental technology development in New York State.