



NEW YORK STATE ASSEMBLY

A N N U A L

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R E P O R T



**Committee on
Small Business**

William Scarborough, Chairman

SHELDON SILVER, SPEAKER

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, 2012

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

Dear Speaker Silver:

It is my pleasure to present to you the 2012 Annual Report for the Assembly Standing Committee on Small Business. Throughout the 2012 Legislative Session, the Committee remained focused on helping small businesses and encouraging the creation of start-up business enterprises.

The Committee passed legislation that increased the State's ability to deliver technical assistance and encouraged non-traditional lending efforts to small businesses. Responding to the needs of small businesses, the Committee crafted and moved legislation forward that eases the regulatory burden on small businesses and creates a directory to raise awareness of the State's technical and financial programs. As the Committee considered legislative bills, it noted that minority- and women-owned businesses are a fast-growing segment of entrepreneurs and worked hard to ensure the State is responding to their needs.

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

**2012
ANNUAL REPORT**

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

**William Scarborough
Chairman**

Committee Members

Majority

Jose Rivera
Annette Robinson
Grace Meng
Vanessa L. Gibson
Edward Braunstein
Francisco P. Moya
Samuel D. Roberts
Aravella Simotas
Robert J. Rodriguez
Michael Simanowitz
Rafael Espinal, Jr.

Minority

Claudia Tenney
Michael J. Fitzpatrick
Bill Reilich
Kenneth D. Blankenbush
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.

New York State statutes affected by legislation before the Small Business Committee include Banking Law, Economic Development Law, State Finance Law, Public Authorities Law, Labor Law, and Civil Practice Law & Rules. Many small business issues, such as changes in taxation, economic development programs, insurance, State agencies' regulatory practices, and employee benefit programs, are not under the jurisdiction of the Small Business Committee. These issues are overseen by the Committees on Economic Development, Job Creation, Commerce and Industry; Banks; Labor; Insurance; Governmental Operations; and Ways and Means. The Small Business Committee remains involved by working with these committees.

During the 2012 Legislative Session, the Standing Committee on Small Business reported 11 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. 2012-2013 SMALL BUSINESS BUDGET OUTCOME

The Assembly Majority 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. In addition, the UDC/ESDC is engaged in housing portfolio maintenance and provides State facility financing for the construction and modernization of State correctional facilities, as well as other special projects. The following are highlights relating to small business programs that are funded through the UDC/ESDC:

- Regional Economic Development Councils (**\$150 million**), 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 or retain jobs, prevent, reduce or eliminate unemployment and underemployment, and increase business activity in a community or region.
- Linked Deposit Program, was amended to allow agricultural firms to qualify for the three percent interest rate subsidy when undertaking projects that will expand or improve agricultural operations. Eligible projects must create or retain full-time permanent jobs within New York State. Agriculture in the State produces a \$4.7 billion dollar industry with 36,300 farms producing such products as apples, milk, cabbage, cottage cheese, grapes, wine, yogurt, maple syrup, and cauliflower.
- Empire State Economic Development Fund (**\$50 million**) provides funds for projects that create or retain jobs.
- Minority- and Women-Owned Business Enterprise Participation (**\$1.6 million**), under the Department of Economic Development, was able to increase staffing levels by 15 full-time equivalent positions in order to assist with minority- and women-owned business compliance. Additionally, a computerized monitoring and compliance system will also be developed.
- Minority- and Women-Owned Business Development and Lending Program (**\$1 million**) makes capital available for local loan funds to startup minority- and women-owned businesses and provides funds for business development in

economically distressed areas. The increase to this program reflects the Assembly's support to a program that has not seen additional funding in many years.

- Urban and Community Development Program (**\$7.4 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**.

III. MAJOR ISSUES OF 2012

A. REGULATORY REFORM

Creates Minority- and Women-Owned Business Enterprises Regional Advocates

(A.5054, 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.

Creates the Main Street Center Grant Program

(A.6607-A, 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.

B. BUSINESS CREATION ASSISTANCE

Recodifies the Small Business Innovation Research Program to UDC

(A.3410-B, Schimminger; Referred to Ways and Means)

Bridging the gap between Phase I and Phase II of the federal Small Business Innovation Research Program (SBIR) can be challenging for many companies because of financial stress and/or development roadblocks. In order to promote research and development within the State, this bill would provide state funding to small businesses in the SBIR Program thereby giving them additional time to develop their research and product and increasing their likelihood of receiving a Phase II grant from the 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 no federal funds are available) and ensures that the research will be conducted solely within New York State.

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

(A.8036, 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.6669, 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.

Creates the Small Business Technology Transfer Technical Assistance Program

(A.7296-B, 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.

C. CAPITAL FORMATION & DEVELOPMENT

Creates the Niche Markets Assistance Program

(A.7327, 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.

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.

Small Business Energy Loan Program

(A.6712-A, 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 component 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.

Expands the Small Business Revolving Loan Fund

(A.10189, Scarborough; Referred to Ways and Means)

This legislation expands the Small Business Revolving Loan Fund to provide a small business with access to short term financing for the purpose of performing contracts to provide construction or professional services for state procurement purposes.

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.

Review the implementation of the State Budget and its impact on economic development programs

In conjunction with the Assembly Committee on Economic Development, Job Creation, Commerce and Industry and the Committee on Oversight, Analysis and Investigation, the Small Business Committee held a public hearing on December 17, 2012 to review the State Fiscal Year 2012-2013 budget's overall impact on the State's economic development programs. The Committee has a long history of supporting initiatives that promote the formation and growth of small businesses. At the hearing, Kenneth Adams, President and CEO of Empire State Development, and experts in small business assistance programs and practices testified to the importance of the State's programs and the progress that they have made in order to bring more businesses to New York and strengthen existing ones.

V. OUTLOOK FOR 2013

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, the Committee understands that small businesses, start-up enterprises, and MWBEs are very important to job creation in New York.

In addition, the Committee will continue to work with small businesses that were affected by Superstorm Sandy to ensure they are provided with assistance to aid in their recovery. The Empire State Development Corporation, with the assistance of associations and other corporations, established the New York State Emergency Small Business Loan Program to assist New York State's small businesses affected by Superstorm Sandy to recover and reopen for business.

In the coming year, the Committee seeks to work to strengthen the ability of local communities to retain and create small businesses, particularly in areas impacted by natural disaster, business districts, distressed areas, and minority and immigrant communities. During the 2012 Legislative Session the Committee has shown that listening and responding to the needs of small businesses and MWBEs is its highest priority and it will continue its outreach efforts. In addition, the Committee is determined to strengthen the connection of New York's academic resources, especially the State University of New York and the City University of New York, with the small business community. Immigrant entrepreneurs are having a significant impact on New York's economy and are vital to the social and economic revitalization of its neighborhoods. Unfortunately, these small businesses are facing numerous obstacles which include language barriers, access to capital, and understanding basic rules and regulations that are associated with running a business. With this in mind, the Committee will work with these particular small businesses to help address their concerns. By providing ways for small businesses and start-up enterprises to increase their research and development capabilities, New York's economy will continue to grow and create jobs as the State exits the recession.

APPENDIX A

2012 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	11	0	11
To Codes	0	0	0
To Rules	0	0	0
To Judiciary	0	0	0
Total	11	0	11
<u>Bills Defeated in Committee</u>	0	0	0
<u>Bills Never Reported, Held in Committee</u>	3	0	3
<u>Bills Never Reported, Died in Committee</u>	5	0	5
<u>Bills Having Enacting Clauses Stricken</u>	0	0	0
<u>Motions to Discharge Lost</u>	0	0	0
Total Bills in Committee	19	0	19
<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.3410-B Schimminger	S.7257 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.4377 Rivera, P.	No Same As	Enacting Clause Stricken	This bill assists in expanding lending opportunities to small businesses through the Excelsior Linked Deposit program. Additionally, it extends the loan period from four to five years for this specific loan.
A.4679 Rivera, P.	No Same As	Enacting Clause Stricken	Directs the Division for Small Business to examine the means and methodology of establishing new financial products which can be derived through the innovative use of existing State resources.
A.5054 Titus	No Same As	Passed Assembly	Creates Minority- and Women-Owned Business Enterprises regional advocates.
A.6607-A Scarborough	No Same As	Referred to Ways and Means	Creates a Main Street Center Grant Program for façade renovation and interior rehabilitation.
A.6712-A Scarborough	No Same As	Referred to Ways and Means	Provides low interest loans for energy improvement projects.
A.6669 Scarborough	S.2825 Stewart-Cousins	Referred to Ways and Means	Creates the Micro Business Outreach Center Assistance Program.
A.7327 Barron	No Same As	Referred to Ways and Means	Creates the Niche Markets Assistance Program.
A.7296-B Schimminger	S.7376 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.8036 Scarborough	S.6498 Alesi	Passed Assembly	Creates a directory for small businesses and Minority- and Women-Owned Business Enterprises.
A.10189 Scarborough	No Same As	Referred to Ways and Means	Expands the Small Business Revolving Loan Fund.