



NEW YORK STATE ASSEMBLY • SHELDON SILVER, SPEAKER

2007  
*Annual Report*

COMMITTEE ON  
SMALL BUSINESS  
MARK S. WEPRIN, CHAIRMAN

December 15, 2007

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 2007 Annual Report for the Assembly Standing Committee on Small Business.

Throughout the 2007 legislative session, the Committee remained dedicated to the creation of small business enterprises. This dedication led to the passing of a small business package aimed at helping small businesses thrive in today's challenging marketplace.

The Committee also introduced legislation designed to help small businesses to comply with environmental laws and regulations. In addition, the Committee introduced bills intended to create better access to capital through the expansion of the Excelsior Linked Deposit Program and the Niche Market Assistance Program.

The Committee recognizes that minority and women-owned businesses have become the fastest-growing segment of entrepreneurs, and both populations are well represented in New York. The Committee will continue to examine the full range of issues affecting the small business workplace and its capitalization needs. We look forward to playing an active and productive role in these areas in 2008.

I join with my colleagues on the Small Business Committee in commending you for your commitment to and support of small business development. The Committee eagerly anticipates another session under your leadership so that we can continue to pursue efforts to create a healthy environment for small business prosperity in New York State.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Weprin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark S. Weprin, Chairman  
Committee on Small Business

2007  
ANNUAL REPORT

NEW YORK STATE ASSEMBLY  
STANDING COMMITTEE ON SMALL BUSINESS

Mark S. Weprin  
Chairman

Committee Members

Majority

Joan K. Christensen  
David Koon  
Joan L. Millman  
Jose Rivera  
Adam Clayton Powell IV  
Michele R. Titus  
Annette Robinson  
Mark J. Schroeder  
Albert A. Stirpe Jr.  
Tim Gordon

Minority

Bill Reilich  
Michael J. Fitzpatrick  
Ann Rabbitt  
Tom McKeivitt

Staff

Ernest Amabile, Legislative Coordinator  
Benita Leigh-Lewis, Legislative Analyst  
Teri Kleinmann, Associate Counsel  
Taryn Davila, Committee Assistant  
Darlene Mullally, Legislative Director/Committee Clerk

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## I. INTRODUCTION

The New York small business sector continues to prove itself the driving force in the State's economy. Small businesses are defined in State law as those employing one hundred or fewer people. This includes over one million businesses in New York State comprising 99% of the State's businesses and employing over 55% of the State's workforce. These companies often need help in advancing to a level of profitability at which they can move forward and create jobs. Small businesses that fail to grow are often unable to gain access to needed capital and other means of assistance. The Small Business Committee believes that the State must focus more attention on the sector of the business community that creates nearly eight out of every ten jobs.

Minority and women-owned businesses have become the fastest growing segment of entrepreneurs, and both populations are well represented in New York. In addition, a surprising number of home-based businesses have also appeared in recent years, causing some economists to conclude that very small businesses (those comprising ten or fewer employees) are increasingly becoming major players in the State's economy. It is estimated that four out of every five small businesses (81%) in New York have fewer than ten employees, and nearly two-thirds (65%) have fewer than five employees, now called micro-enterprise. The importance of these small ventures cannot be overstated: by testing new ideas, products, and processes, they are re-inventing New York State's future in the global marketplace.

## II. COMMITTEE JURISDICTION AND ACTIVITY

New York State statutes affected by legislation before the Small Business Committee include the Banking Law, Economic Development Law, State Finance Law, Public Authorities Law, Labor Law, and the Civil Practice Law & Rules.

Although the Committee's areas of concern are wide-ranging, many bills that affect small business are integrally related to the jurisdictions of other Assembly committees. As a result, many small business issues, such as changes in taxation, economic development programs, insurance, State agencies' regulatory practices, and employee benefit programs are not directly within the jurisdiction of the Small Business Committee. These and many other issues of importance to small businesses are referred to other Assembly committees which have direct jurisdiction over such subjects. They include the Committees on Economic Development, Job Creation, Commerce & Industry, Banks, Labor, Insurance, Governmental Operations, and Ways and Means. The Small Business Committee remains involved by working closely with these committees.

The Committee also works closely with a number of State agencies and public authorities to ensure that they are serving the needs of the small business community, including the Department of Economic Development (DED), the New York Office of Science, Technology and Academic Research (NYSTAR) (formerly known as the Science and Technology Foundation), the Job Development Authority (JDA), the Empire State Development Corporation (ESDC), and the Urban Development Corporation (UDC--a public authority of ESDC), 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 (SBDC) Program.

During the 2007 Legislative Session, the Standing Committee on Small Business reported twenty-eight bills favorably. In addition, a number of bills that were of importance to small firms but were referred to other committees became law with the assistance and input of the Small Business Committee.

The Committee will continue to be active in Assembly and State efforts to advance the needs of small businesses, while also advocating reforms to improve New York State's business climate.

### III. 2007-2008 SMALL BUSINESS BUDGET OUTCOME

The Assembly fought for 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

##### 1. Urban Development Corporation/Empire State Development Corporation

The Urban Development Corporation (UDC) is currently doing 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 government, 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 UDC/ESDC:

- Jobs Now (**\$32.1 million**) program provides funding for large-scale projects that create new jobs;
- Economic Development Fund (**\$40 million**) provides funds for projects that create or retain jobs; and
- Minority-and Women-Owned Business Development and Lending Programs (**\$3.5 million**) provide for available capital for local funds targeted to small "micro loans" for start-up of minority and women-owned businesses and provide funding intended for program activities in economically distressed and highly distressed areas.

## 2. New York Office of Science, Technology & Academic Research (NYSTAR)

NYSTAR is responsible for directing the State's university-based high-technology economic development programs. In addition, the Office develops comprehensive plans to attract and retain high technology businesses with the potential for significant job creation in New York State. The high-technology program within NYSTAR received funding totaling **\$35 million**, which included the following:

- Centers for Advanced Technology (CATs), which collaborate with New York companies on the development of new technologies and products, which in turn create new businesses and high-quality jobs throughout the State, were fully funded at **\$15 million** for the existing 15 CATs that are located throughout the State.
- Technology Development Organizations (TDOs), which provide technical assistance to high-tech companies seeking to remain competitive, were funded at a total of **\$1.5 million**.
- Industrial Technology Extension Services (ITES), whose ITES field agents located throughout the State provide technical and managerial assistance to small and mid-sized New York manufacturers seeking to improve their competitiveness, received **\$1 million**.

## IV. MAJOR ISSUES OF 2007

### A. REGULATORY REFORM

#### 1. **Deferred Payments of Telecommunication Charges** (A.4678, Koon; Passed Assembly)

The New York State Public Service Law currently requires that the Public Service Commission require telephone companies to offer a plan for the deferred payment of installation charges for residential telephone lines for up to one year. The result is that persons who otherwise could not afford to pay the installation charges may pay over the course of a year.

This legislation would extend such a payment option to small businesses, thereby easing the burden of start-up, expansion and nonrecurring maintenance costs with respect to telephone service, which is a necessity for many small businesses. Easing telephone installation charges would lessen start-up burdens and expansion costs for new small businesses and would therefore serve to encourage and increase small business in New York.

#### 2. **Main Street Center Grant Program** (A. 8947, Stirpe; Passed Assembly)

The concept of "Main Street" has recently become a new focus for an important sector of Economic Development. Small businesses in small communities account for 98% of businesses in New York State. This bill introduces a new program to revitalize these downtown business districts known as the Main Street Center Grants Program. This statewide program will allow grants to be used for facade renovation and interior rehabilitation in addition to developing guidelines to assist localities in ensuring that the facade renovations are done in a manner that respects the architecture of the building and helps to enhance the historic integrity of the main street district. It also directs the State to use the internet as a resource for these businesses by making regulatory and rule-making documents available electronically without charge.

## **B. BUSINESS CREATION ASSISTANCE**

### **1. Kitchen Incubator/Shared-Use Kitchen Facility Grant Program**

(A.3680, Cook; Passed Assembly)

In the food sector of our economy, many successful enterprises have been started at home or on the farm by individuals who may not have an advanced degree or investment income but who have created a great recipe or family dish that could be developed into a profitable product. The growth of these types of businesses is often dependent on affordable, available processing space, financing, management assistance and other services that can nurture an emerging firm.

Kitchen incubators are similar to other types of business incubators: they provide inexpensive space, shared services, and access to financing and other support to multiple small enterprises such as specialty food producers, farmers, street vendors, restaurants, caterers, and food service training programs. The goals of these "kitchen" facilities are to foster entrepreneurship, job development, and community revitalization. An additional goal is improving local farm sustainability by providing an outlet for farmers to sell, or add value themselves, to their farm products. Creating a program for small-scale food businesses will benefit local economies, workers and farmers.

This legislation would provide seed funding and expansion funding for communities to establish facilities that provide opportunities for individuals to become food business owners which, in turn, creates jobs for the surrounding area. Such facilities could also participate in workforce training and development.

### **2. Small Business Niche Market Assistance**

(A.2877, Towns; Passed Assembly)

A "niche market" is a targeted market composed of individuals and businesses that have similar interests and needs that can be readily identified, or a group of potential customers who share common characteristics, making them especially receptive to the company's product, service or opportunity.

This legislation would establish a competitive program within UDC to provide grants to a not-for-profit corporation or Manufacturing Extension Partnership Program with a demonstrated capacity to conduct market analysis and seek new markets for niche products for manufacturers, to enable the grant recipients to work with small manufacturers and assist them to identify and develop niche markets.

3. **Micro Business Assistance**  
(A.2766, Weprin; Passed Assembly)

Since its inception, Business Outreach Centers (BOCs) Network has assisted over 15,000 small businesses and new entrepreneurs. Its efforts have saved and created over 3,000 jobs and leveraged over \$35 million dollars, in mostly private financing. These centers work with individuals who may not have the knowledge of or experience in creating a micro-business and provide them with the tools they need to start an enterprise such as assistance in writing a business plan or matching an entrepreneur with a reasonable loan.

This legislation would create the micro-business outreach center assistance program and micro-business outreach centers. In turn, these centers would not only serve as a vital resource to small businesses by facilitating access to the complex infrastructure of economic development programs and services, but would also connect small businesses to needed information, capital and technical assistance.

4. **Creating Minority and Women-Owned Business Regional Advocates**  
(A. 6939, Titus; Passed Assembly)

In order to promote minority and women-owned businesses within New York State, providing technical, managerial, financial and educational support to these business is very important. This bill provides for the creation of regional advocates for these businesses who will act as liaisons for minority- and women-owned business enterprises and aid in resolving concerns regarding certification delays, and investigating complaints, along with assisting in the certification process. Advocates will also play an important role in developing educational outreach programs and creating awareness of competitive grant programs.

## **C. CAPITAL FORMATION & DEVELOPMENT**

### **1. Expanding the Excelsior Linked Deposit Program** (A.3265, Schimminger; Passed Assembly)

Currently, small businesses located in Empire Zones or in highly distressed areas, and minority-owned and women-owned businesses or defense industry manufacturers seeking financing for specified eligible projects, are eligible for a linked loan interest rate three percentage points below the interest rate the lender would charge absent the linked deposit.

This legislation would allow qualifying businesses located in certain areas designated under the Federal Community Renewal Tax Relief Act of 2000 (federal empowerment zones, enterprise communities & renewal communities) to be eligible for numerous loans at the most beneficial interest rate provided through the Excelsior Linked Deposit Program.

### **2. Relates to the Excelsior Linked Deposit Program** (A. 4066, Lafayette; Referred to Ways and Means)

With the recent trend in reducing the amount of public funding available to directly support assistance programs, more emphasis needs to be placed on finding ways to encourage the private sector to assist. By utilizing the incentive system of the Excelsior Linked Deposit Program, whereby the State places a portion of its deposits with a financial institution which makes economic development loans in poor communities, this legislation would encourage the financial services industry to offer these special accounts to not only their own customers, but to public assistance recipients as well. Individual development accounts not only offer a way for many poor public assistance recipients to gradually acquire financial assets which they will be able to rely on later in life, providing a crucial level of security, but they also offer a way for people to acquire bank accounts and learn how to manage money in a more productive manner.

### **3. Small Business Regional Revolving Loan Program** (A. 9129, Weprin; Passed Assembly)

Small businesses often have difficulty obtaining small amounts of capital from traditional banking organizations. These funds are often critical to start, improve, or expand operations. Renaming the Regional Revolving Loan program the Small Business Regional Revolving Loan Program will reinforce the intent of the program as a catalyst for growing small business by making these types of loans available. This legislation would ensure a more efficient and effective system for providing such loans, by utilizing regional not-for-profit corporations that are knowledgeable about local businesses and economic conditions.

## **D. ENVIRONMENTAL COMPLIANCE FOR SMALL BUSINESS**

### **1. Financial Assistance to small businesses for environmental compliance** (A.7486, Destito; Referred to Ways and Means)

The federal Clean Air Act, the State Clean Air Compliance Act of 1993, the federal Clean Water Act and the state's Industrial Hazardous Waste Management statute imposed considerable new burdens on many small businesses across New York State. As a result of these new regulatory activities, many small firms must now invest in pollution control equipment at a time when access to capital for small businesses is difficult. Both private and public sources of financing have historically avoided small business lending because of the relatively higher risks and administrative costs of those loans. This bill would build upon existing relationships between the small business community and the financial institution and involve the expenditure of State funds only in the event of a default on the loan. The fund would not only assist small businesses and New York State in achieving compliance with Clean Air, Clean Water and Hazardous Waste Management requirements, but would also assist many businesses in developing better credit relationships with private lenders.

## **E. SMALL BUSINESS ENERGY ASSISTANCE**

### **1. Innovative Energy & Environmental Technology Development & Commercialization Grants** (A.8437-A, Cohen, A.; Passed Assembly)

The success of innovative energy and environmental technology-oriented businesses with growth potential is essential to the continued economic health and security of New York State. The development of new products to assist mature industries that are undergoing dramatic changes or facing increasing international competition with reducing energy costs and complying with environmental regulations can serve to retain, and even increase, employment. However, commercialization of these products is constrained as numerous small businesses are limited by lack of early stage financing.

This legislation seeks to provide early stage funding in capital grants for up to \$100,000 to qualified businesses to help develop and commercialize new energy and environmental technologies in New York State to stimulate the creation of a substantial number of new businesses and jobs in the energy and environmental sector.

**2. Small Business Energy Loan Program**  
(A.5494-A, Weprin; Passed Assembly)

The state's chronically high energy costs are often cited by 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 thus help to better secure New York-based jobs.

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 to stimulate the growth and development of small businesses and jobs.

**F. BILLS REFERENCED TO OTHER COMMITTEES**

1. **Economic Development, Job Creation Commerce and Industry**
  - (A.6906, Koon; Passed Assembly) would require state economic development agencies to give preference to small businesses and entrepreneurs when awarding state economic development assistance.
  
2. **Governmental Operations**
  - (A.4498, Cook, Passed Assembly) would extend and improve the law to help minority and women-owned business enterprises continue to develop.
  
3. **Environmental Conservation**
  - (A.4542, Morelle; Referred to Environmental Conservation Committee) would assist small quantity generators of hazardous waste in complying with governmental regulations.
  
4. **Insurance Committee**
  - (A.5470, Tokasz; Referred to Insurance Committee) would provide insurance coverage for up to 210 days of hospice care under the Healthy New York program for qualifying small businesses.

## **G. PUBLIC HEARINGS/ROUNDTABLES**

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

### **1. An Examination of Intellectual Property Policy in New York State**

In conjunction with the Assembly Task Force on University-Industry Cooperation, the Assembly Subcommittee on Manufacturing and the Assembly Standing Committee on Economic Development, Job Creation, Commerce & Industry, the Small Business Committee held a roundtable on January 17, 2007 to discuss whether the State should develop an intellectual property policy regarding innovations spawned from State-supported research and development (R&D).

New York State funds research in order to benefit the State and its residents through the development of new technologies that increase economic activity - most importantly through the creation and retention of jobs - and that provide health and social benefits. The State has dramatically increased its commitment, once almost exclusively the purview of the federal government, to basic and applied research over the past decade. Unlike the federal government, however, New York has no comprehensive intellectual property policy that protects new knowledge resulting from State-sponsored research, encourages private sector investment and commercialization of new products and processes, and ensures that economic, health and social benefits accrue to the State.

The focus of this Roundtable was on what policy the State should have regarding IP, and what is appropriate for the State to have as a return on its investment in R&D and the commercialization of the R&D.

## V. OUTLOOK FOR 2008

The Small Business Committee is determined to address the future needs of small businesses, making New York a supportive environment for their growth. Issues of capital access, health insurance, small business taxation, export assistance, minority and women-owned business expansion and skilled workforce expansion, energy assistance, veteran's business assistance, regulatory reform and immigrant business assistance are priorities of the Committee. By understanding the needs of small businesses and how their interaction with State government may assist small business growth, we will be better able to make New York a place where small businesses will prosper.

Small businesses account for over 99% of businesses in New York State and employ 55% of the State's workforce. While small businesses are the backbone of the State's economy, Empire State Development Corporation allocates a disproportionately lesser percentage of its entire economic development budget to helping small businesses. Due to the impact on the workforce of New York, it is extremely important that small businesses and government work together to ensure that New York has a highly trained workforce. The Small Business Committee will continue to investigate ways to train skilled workers.

Finding new ways to provide money for small business expansion and providing access to capital for new business start-ups will again be a priority for the Committee. Providing small businesses with relief from unnecessary or burdensome regulations and fees will be addressed by the Committee in the upcoming Legislative Session.

The Committee will also work to strengthen the ability of local communities to attract and increase small businesses, particularly in older downtown areas, business districts, and minority and immigrant communities.

In addition, the Committee is determined to connect New York's academic environment with the small business community. By providing ways for small businesses to increase their research and development capabilities, New York's economy will become one of the world's finest and most productive economies.

The Small Business Committee is eagerly awaiting the upcoming year with new ideas and new ambition. We are well on our way to ensuring prosperity for New York's small business sector.

**APPENDIX A**

**2007 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	1	0	1
To Floor: Recommitted and Died			
To Ways and Means	16	2	18
To Codes			
To Rules			
To Judiciary			
Total	17	2	19
<b><u>Bills Defeated in Committee</u></b>			
<b><u>Bills Never Reported, Held in Committee</u></b>	1	0	1
<b><u>Bills Never Reported, Died in Committee</u></b>	12	2	14
<b><u>Bills Having Enacting Clauses Stricken</u></b>			
<b><u>Motions to Discharge Lost</u></b>			
Total Bills in Committee	30	4	34
<b><u>Total number of committee meetings held</u></b>			

## APPENDIX B

<b>FINAL ACTION ON BILLS REPORTED BY THE SMALL BUSINESS COMMITTEE</b>			
<b>ASSEMBLY BILL # SPONSOR</b>	<b>SENATE BILL # SPONSOR</b>	<b>FINAL ACTION</b>	<b>DESCRIPTION</b>
A. 284 Magnarelli	S. 2717 Lavalle	Referred to Rules	Assists small businesses in commercializing intellectual property purchased or licensed from a New York State research institution.
A. 726 Christensen	S. 5593 Flanagan	Chapter 572	Provides assistance to small businesses regarding environmental compliance and pollution prevention.
A. 1921 Weprin	S. 1827 DeFrancisco	Veto Memo. 12	Creates the New York Entrepreneur of the Year Award.
A. 2329-A Millman	S. 5202-A Smith	Referred to Rules	Expands the membership of small-business and minority and women-owned business advisory boards; powers and duties of divisions for development.
A. 2877-A Towns	S. 5349-A	Passed Assembly	Creates the niche market assistance projects.
A. 3265 Schimminger	S. 4784	Passed Assembly	Includes certain businesses in the Excelsior Linked Deposit Act loan program.
A.3680-A Cook	S. 7570	Passed Assembly	Establishes a kitchen incubator/shared-use kitchen facility program within UDC.
A. 4678-A Koon	None	Passed Assembly	Requires deferred installment payment plan be offered to small businesses for telephone installation, initiation, and nonrecurring maintenance.
A.5494-A Weprin	None	Passed Assembly	Provides low-interest rate reductions for energy improvement projects.
A. 6939 Titus	S. 4520	Passed Assembly	Creates minority and women-owned business enterprise regional advocates.
A. 7486 Destito	None	Referred to Ways and Means	Relates to financial assistance to small businesses for the purpose of

**FINAL ACTION ON BILLS REPORTED BY THE SMALL BUSINESS COMMITTEE**

<b>ASSEMBLY BILL # SPONSOR</b>	<b>SENATE BILL # SPONSOR</b>	<b>FINAL ACTION</b>	<b>DESCRIPTION</b>
			environmental compliance.
A.8437-A Stirpe	None	Passed Assembly	Provides small businesses with grants to commercialize energy and environmental technology innovation in-state.
A. 8947-A Stirpe	S. 6374-A	Passed Assembly	Makes provisions relating to assisting small businesses.
A.9129 Weprin	None	Passed Assembly	Relates to the small business regional revolving loan program.