



New York State Assembly

Carl E. Heastie, Speaker

ANNUAL REPORT 2015

A dark blue silhouette of a city skyline, including various skyscrapers and buildings, positioned behind the large white text of the title.

Committee on

Small Business

Fred W. Thiele, Jr., Chair



FRED W. THIELE, JR.
Assemblyman 1st District

CHAIR
Committee on Small Business

THE ASSEMBLY
STATE OF NEW YORK
ALBANY

COMMITTEES
Ways & Means
Education
Environmental Conservation
Oversight, Analysis & Investigation
Transportation

December 15, 2015

Honorable Carl Heastie, Speaker
New York State Assembly
Legislative Office Building, Room 932
Albany, New York 12248

Dear Speaker Heastie:

I am pleased to submit the 2015 Annual Report of the Assembly Standing Committee on Small Business. Throughout the 2015 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 navigate 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 small business development; help small businesses to become more energy and environmentally efficient; promote minority- and women-owned businesses; and ease the regulatory burden on small businesses.

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 and other areas in 2016. 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 black ink that reads "Fred Thiele, Jr." in a cursive script.

Fred W. Thiele, Jr., Chair
Committee on Small Business

**2015
ANNUAL REPORT**

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

**Fred W. Thiele, Jr.
Chairman**

Committee Members

Majority

José Rivera
Annette Robinson
Samuel D. Roberts
Michael Simanowitz
Frank Skartados
Mark Gjonaj
Angelo Santabarbara
Victor Pichardo
Carrie Woerner
Rodneyse Bichotte
Charles Barron
Diana Richardson

Minority

David DiPietro
Kieran Michael Lalor
Dean Murray
Peter Lawrence

Staff

Giovanni Warren, Assistant Secretary for Program and Policy
Debra Jenkins, Legislative Analyst
Victoria Choi, Associate Counsel
Lisa Lombardo, 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 existing financial assistance programs and 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 and support of established small businesses as New York continues to recover 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 Small Business Development Centers Program.

During the 2015 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. 2015-2016 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 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**.
- **\$10 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 at the same amount of **\$1 million** each.
- 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 veterans orientated services at entrepreneurial assistance centers.
- 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 **\$14.32 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 **\$6 million**. This program promotes a statewide 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.”
- 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.
- The Upstate Revitalization Initiative was funded at **\$1.5 billion**. The Initiative, open to seven Upstate regions, is a competition for three \$500 million awards to be paid out at **\$100 million** a year for five years for transformative economic development projects.
- 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.

III. MAJOR ISSUES OF 2015

A. REGULATORY REFORM

Creates Minority- and Women-Owned Business Enterprises Regional Advocates

(A.1259, 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 would 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 Small Business Crime Prevention Services Program

(A.2302, Solages; Passed Assembly)

This bill would establish 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.

Establishes a State Small Business Commercial Fishing Industry Advocate and Small Business Commercial Fishing Economic Development Program

(A.7507, Thiele; Vetoed, Memo 300)

This bill would establish a State Small Business Commercial Fishing Industry Advocate within the Department of Economic Development (DED) and create a Small Business Commercial Fishing Economic Development Program to promote small businesses within the State commercial fishing industry. The Advocate would be authorized to advise the Commissioner of DED on matters concerning small business commercial fishing and act as a liaison between the industry, the Commissioner, and other federal, State and local entities. The Advocate would also be authorized to administer the Small Business Commercial Fishing Industry Economic Development Program, which would target and promote marine resource development in a manner that is economically sound and would promote the long-term health of fisheries resources and habitat.

B. BUSINESS CREATION ASSISTANCE

Creates the Microenterprise Development Act

(A.2063-A, Quart; Passed Assembly)

This bill would establish the Microenterprise Development Act to assist small businesses with five or fewer employees. The program would require the Commissioner of the Department of Economic Development to establish a grant program for microenterprise technical assistance. Organizations qualified to receive funds would be required to use the grants to provide training and technical assistance to the microenterprise entrepreneurs. The Program provides that at least 50 percent of the funds be made available to benefit those whose income is under 150 percent of the poverty line, and requires that training organizations to provide at least one dollar in matching funds for every dollar received from the State.

Ensures Energy Assistance to Small Businesses

(A.2521-A, 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, including, but not limited to, the New York State Energy Research and Development Authority and the New York Power Authority, in the development of energy assistance programs.

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

(A.4399, 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 the eligible federal grants.

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

(A.4408, 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.

Provides Grants for Early Stage Financing of Small Environmental Technology Businesses
(A.5932-A, Pichardo; Passed Assembly)

This bill would allow 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 would authorize 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.

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

(A.7593, Richardson; Vetoed, Memo 285)

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.

Authorizes Entrepreneurship Assistance Centers

(A.7798, Thiele; 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.

C. CAPITAL FORMATION & DEVELOPMENT

Establishes the New York State Innovation Vouchers Program

(A.2126-A, Buchwald; Passed Assembly)

This bill would create the New York State Innovation Vouchers Program within the Urban Development Corporation. The Program is designed to promote small business innovative research and development by awarding a maximum of \$10,000 per voucher for eligible projects,

and in the case of exceptionally innovative projects up to \$50,000. Eligible recipients would be required to match vouchers on a dollar-to-dollar basis. The bill would authorize the Program as eligible for funding under the Empire State Economic Development Fund.

Establishes Small Business Tax-Deferred Savings Accounts

(A.2375-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.

Creates HIRE-NY

(A.7676, Thiele; 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. HIRE-NY would assist both New York State residents looking for employment, as well as small businesses seeking to expand.

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. October 20, 2015, Roundtable on Apprenticeship Programs in New York State

The Small Business Committee joined with the Assembly Committee on Labor and the Assembly Commission on Skills Development and Career Education to hold a roundtable to discuss the current state of apprenticeship programs in New York State. Apprenticeships are regarded as a successful link between training and employment, but they remain a relatively small share of the State and the nation’s workforce investment. With the ongoing need to address the middle-skills gap, there has been a renewed look at apprenticeship programs as one approach to address this issue. This roundtable presented an opportunity to consider actions that could be taken to expand apprenticeship opportunities in traditional and non-traditional fields, as well as ensure that skilled people are available to help our small businesses fulfill their potential statewide.

2. December 4, 2015, Public Hearing on Budget Oversight

The Small Business Committee joined with the Assembly Committee on Economic Development, Job Creation, Commerce and Industry to provide oversight of the 2015-2016 State Budget and the agencies and programs that are under the purview of the Committees.

3. December 9, 2015, Public Hearing on Apprenticeship Programs in New York State

The Small Business Committee joined with the Assembly Committee on Labor and the Commission on Skills Development and Career Education to hold a public hearing to evaluate the status and examine the needs of apprenticeship programs in New York State. This hearing is a follow-up to the Roundtable held on this issue in October 2015.

4. December 17, 2015, Public Hearing on Small Business Access to Credit

The Small Business Committee joined with the Assembly Committee on Banks to gain insight to small businesses need for, access to, and sources of credit necessary to start, grow and expand their enterprises.

IV. OUTLOOK FOR 2016

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 the 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 and aiding local economies in New York.

APPENDIX A

2015 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 (Favorable)	0		0
To Ways and Means	14		14
To Codes	0		0
To Rules	0		0
To Judiciary	0		0
Total	14		14
<u>Senate Bills Substituted or Recalled</u>			
Substituted		0	0
Recalled		0	0
Total		0	0
<u>Bills Defeated in Committee</u>	0	0	0
<u>Bills Held for Consideration, Roll-Call Vote</u>	0	0	0
<u>Bills Never Reported, Died in Committee</u>	9	2	11
<u>Bills Having Enacting Clauses Stricken</u>	11	0	11
<u>Motions to Discharge Lost</u>	0	0	0
Total Bills in Committee	34	2	36
<u>Total Number of Committee Meetings Held</u>		4	

APPENDIX B

ASSEMBLY BILL # SPONSOR	FINAL ACTION	DESCRIPTION
A.1259 Titus	Passed Assembly	This bill would promote Minority- and Women-Owned Business Enterprises (MWBES) within New York by providing technical, managerial, financial, and educational support.
A.2063-A Quart	Passed Assembly	This bill would establish the Microenterprise Development Act to assist small businesses with five or fewer employees.
A.2126-A Buchwald	Passed Assembly	This bill would create the New York State Innovation Vouchers Program within the Urban Development Corporation.
A.2302 Solages	Passed Assembly	This bill would establish 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.
A.2375-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.2521-A Santabarbara	Passed Assembly	This bill would establish a Small Business Energy Assistance and Advocacy Services Program.
A.4399 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.4408 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.5932-A Pichardo	Passed Assembly	This bill would provide capital grants to encourage and support innovative energy and environmental technology development

		in New York State.
A.7507 Thiele	Vetoed, Message 300	This bill would establish a State Small Business Commercial Fishing Industry Advocate within the Department of Economic Development (DED) and create a Small Business Commercial Fishing Economic Development Program to promote small businesses associated with the State commercial fishing industry.
A.7593 Richardson	Vetoed, Message 285	This bill would create a directory for small businesses and minority- and women-owned business enterprises.
A.7676 Thiele	Referred to Ways and Means	This bill would create the “Hire Individuals in the Real Economy New York” Program within the Urban Development Corporation.
A.7798 Thiele	Passed Assembly	This bill would create Entrepreneurship Assistance Centers.