

New York State Assembly

Carl E. Heastie

Speaker



Committee on Small Business

Fred W. Thiele, Jr.

Chair

2016

ANNUAL REPORT



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, 2016

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 2016 Annual Report of the Assembly Standing Committee on Small Business. Throughout the 2016 Legislative Session, the Committee remained dedicated to responding to the needs of small businesses by passing 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 opportunities for small businesses and entrepreneurs across the State. Legislation designed to promote small and entrepreneurial business development, to help small businesses to become more energy and environmentally efficient, to promote minority – and women – owned business expansion, and to ease the regulatory burden on small businesses was advanced this past session. The Committee worked closely with its members to advance legislation that would create an online informational resource for small businesses and minority- and women-owned businesses and responded to concerns arising from a public hearing to examine the role of online lending, by introducing legislation to provide for online lending awareness to educate businesses on the potential costs associated with obtaining loans through online marketplace lenders.

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 role in these areas in 2017. I join with my colleagues and commend you for your commitment to supporting small businesses. The Committee looks forward to a productive legislative session of continued efforts to create a welcoming and nurturing 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

**2016
ANNUAL REPORT**

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

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

Committee Members

Majority

José Rivera
Annette Robinson
Michael Simanowitz
Frank Skartados
Mark Gjonaj
Angelo Santabarbara
Victor Pichardo
Carrie Woerner
Rodneyse Bichotte
Charles Barron
Diana Richardson
Alicia Hyndman

Minority

David DiPietro
Kieran Michael Lalor
Dean Murray
Peter Lawrence

Staff

Giovanni Warren, Assistant Secretary for Program and Policy
Debra Jenkins, Legislative Analyst
Kristin Kopach, 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 and the Committee remains committed to promoting new growth, and the support of established small businesses across the New York.

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 provides oversight of the Small Business Development Centers Program.

During the 2016 Legislative Session, the Standing Committee on Small Business reported 15 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. 2016-2017 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 Minority- and Women-Owned Business Development Lending Program received an appropriation of \$635,000. 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 veteran related 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 \$13.818 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 \$5 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 Downtown Revitalization Initiative was funded at \$100 million. The Initiative, open to downtowns throughout the State, is a competition for ten \$1 million awards to be paid for transformative downtown 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.

III. MAJOR ISSUES OF 2016

A. REGULATORY REFORM

Reform Administration of Revolving Loan Funds

(A.7517-A, Thiele, Passed Assembly)

This bill would authorize the Empire State Development (ESD) to administer the Regional Revolving Loan Trust Fund Program, Minority and Women Revolving Loan Trust Fund Program, Micro Enterprise Revolving Loan Trust Fund Program, and Commercial District Revolving Loan Trust Fund Program in a manner consistent with the Small Business Revolving Loan Fund Program. Further, this legislation would require ESD to submit annual reports relating to each of these programs and post them on their website.

Small Business Revolving Loan Program Reporting

(A.9418, Thiele, Passed the Assembly)

This bill would require lending organizations participating in the Small Business Revolving Loan Fund program to submit quarterly program reports to the Empire State Development (ESD). Further, ESD would be required to submit annual reports on the status of the program and these reports be posted on its website.

Defining Micro-Businesses

(A.10038-B, Gjonaj, Passed Assembly)

This bill would define a "Micro-business" as a business that is located within the State, independently owned and operated, not dominant in its field, and that employs five or less full-time employees or full-time equivalent employees.

Small Business Assistance

(A.7516-A, Thiele, Referred to the Committee on Ways and Means)

This bill would require the Division of Small Business to advise and make recommendations to the Commissioner of the Department of Economic Development on matters affecting micro-enterprises. Further, this bill would provide ways to support and encourage small businesses through access to information on potential sources of funding and technical assistance.

Pollution Prevention and Compliance

(A.7518, Thiele, Referred to the Committee on Ways and Means)

This bill would provide financial assistance for pollution prevention, control and compliance assistance to small businesses.

B. BUSINESS ASSISTANCE

Online Lending Awareness

(A.10259-A, Thiele, Chapter 463, Laws of 2016)

This bill would require the Department of Economic Development, in conjunction with the Department of Financial Services, to develop a small business online lending education and outreach campaign. The outreach campaign would be designed to educate businesses, in plain-language terms, of the potential costs associated with obtaining loans from online marketplace lenders including true and up-front transparent pricing and terms, the disclosure of annualized percentage rates, fees and charges, early repayment, and refinancing of a loan and any penalties that may be applied, and any other information that the Department of Economic Development deems necessary. Further, the Department would be required to develop and implement a plan to distribute such information to small business owners via print and electronic media.

Micro-Business Worker Cooperatives

(A.10099, Thiele, Passed Assembly)

This bill would provide for financial assistance from the Economic Development Fund in the creation of micro-business worker cooperatives that are formed either as a part of an existing business succession plan or in response to a business that is offered for sale. Further, this legislation would require the Department of Economic Development to provide assistance to micro-business worker cooperatives by expanding the State entities that the Department must work in cooperation with to include Office for New Americans and the Empire State Development Corporation.

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

(A.4399-A, Schimminger, Referred to the Committee on 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-A, Schimminger, Referred to the Committee on 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.

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

(A.9591-A, Richardson, Vetoed, Memo No. 249)

This bill would direct the Department of Economic Development to review all existing minority- and women-owned small business enterprise websites, registries and/or directories that are managed by the Department. This legislation would consolidate all such websites registries and/or directories into a comprehensive website that would also contain a centralized database of samples of electronic copies of applications, proposals, forms and any other necessary documents. Further, this legislation would require that the directory and/or database be made publicly available in an electronic format that is searchable and updated on a monthly basis. Finally, this bill directs the Commissioner to adopt rules and regulations necessary for implementation.

Authorizes Entrepreneurship Assistance Centers

(A.7798-A, Thiele, Passed Assembly)

This bill 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

Micro and Micro-Seed Loans

(A.6621-B, Kim, Chapter 254 of the Laws of 2016)

This law defines a micro-business as less than five people for the purposes of this section. Further, it would direct the Empire State Development to show preference in awarding program funds via the small business revolving loan fund to lending organizations that serve micro-businesses and make micro-loans. Finally, micro-businesses that apply for a micro-loan of five thousand dollars or less would have their application fees waived upon approval of such a loan.

Establishes Small Business Tax-Deferred Savings Accounts

(A.2375-A, Lavine, Referred to the Committee on Ways and Means)

This bill would allow small businesses to deposit profits up to \$5,000 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 the Committee on 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 qualifying small business 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.

April 11, 2016, Public Hearing on Small Business Online Lending Practices

The Small Business Committee joined with the Assembly Committee on Banks to hold a hearing to examine the role of online lending; whether existing statutes and regulatory practices are sufficient to meet the changing financial landscape and protect small businesses; and how to help small businesses navigate this evolving marketplace. Witnesses included representatives from New York Business Development Corporation, New York Small Business Development Center and Financial Service Centers of New York.

IV. OUTLOOK FOR 2017

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.

APPENDIX A

2016 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>
Bills Reported With or Without Amendment			
To Floor: Not Returning to Committee (Favorable)	2	0	2
To Ways and Means	13	0	13
To Codes	0	0	0
To Rules	0	0	0
To Judiciary	0	0	0
Total	15	0	15
Bills having Committee Reference Changed			
To...	0	0	0
To...	0	0	0
To...	0	0	0
To...	0	0	0
Total	0	0	0
Senate Bills Substituted or Recalled			
Substituted	0	0	0
Recalled	0	0	0
Total	0	0	0
Bills Defeated in Committee			
Bills Held for Consideration, Roll-Call Vote	1	0	1
Bills Never Reported, Died in Committee	0	0	0
Bills Having Enacting Clauses Stricken	0	0	0
Motions to Discharge Lost	0	0	0
Total Bills in Committee	22	0	22
Total Number of Committee Meetings Held	6		

APPENDIX B

ASSEMBLY BILL # SPONSOR	FINAL ACTION	DESCRIPTION
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.4399-A 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-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.6621-B Kim	Chapter 254 Laws of 2016	This law requires the small business revolving loan fund to issue a certain percentage of its remaining principal or further appropriations to micro loans and micro seed loans.
A7516-A Thiele	Referred to Ways and Means	This bill provides assistance to small businesses.
A7517-A Thiele	Passed Assembly	This bill would reform administration of revolving loan fund programs.
A.7518 Thiele	Referred to Ways and Means	This bill would provide financial assistance to small businesses for the purpose of pollution prevention, control and compliance.
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.7796 Thiele	Referred to Ways and Means	This bill would create the micro business outreach center assistance program and micro business outreach center
A.7798-A Thiele	Passed Assembly	This bill would create Entrepreneurship Assistance Centers.
A.9418 Thiele	Passed Assembly	This bill would require lending organizations to submit annual reports to the Urban Development Corporation.

A.9591-A Richardson	Vetoed Memo No. 249	This bill would create a comprehensive website of small business and minority- and women-owned business enterprise assistance.
A.10038-A Gjonaj	Passed Assembly	This bill would define micro-business.
A.10099 Thiele	Passed Assembly	This bill would create micro-business worker cooperatives upon transfer of ownership.
A.10259-A Thiele	Chapter 463 Laws of 2016	This bill would create a small business online lending awareness and outreach campaign.