

2017

ANNUAL REPORT



New York State Assembly

Carl E. Heastie

Speaker

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, 2017

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 2017 Annual Report of the Assembly Standing Committee on Small Business. Throughout the 2017 Legislative Session, the Committee remained dedicated to addressing the needs of small businesses by passing legislation designed in aiding small businesses not only to navigate but thrive in the current 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. Legislation designed to stimulate small and entrepreneurial business growth, to help small businesses to become both energy and environmentally efficient, to promote minority- and women-owned business development, and to ease the regulatory strain on small businesses was advanced this past session. The Committee worked closely with its members to craft legislation that would create an online informational resource for small businesses and minority- and women-owned businesses. It also addressed public concerns stemming from a Joint Legislative hearing examining 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 2018. 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 persistent efforts so that we can continue to create a healthy environment for small business prosperity across New York State

Sincerely,

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

**2017
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**NEW YORK STATE ASSEMBLY
STANDING COMMITTEE ON SMALL BUSINESS**

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

Committee Members

Majority

José Rivera
Frank Skartados
Mark Gjonaj
Victor M. Pichardo
Carrie Woerner
Rodneyse Bichotte
Charles Barron
Diana C. Richardson
Alicia Hyndman
Billy Jones
Inez E. Dickens
Clyde Vanel

Minority

David DiPietro
Kieran Michael Lalor
Dean Murray
Ken Blankenbush

Staff

Giovanni Warren, Assistant Secretary for Program and Policy
Whitney Griffin, Legislative Analyst
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.

Small businesses and entrepreneurs continue to report difficulties in accessing startup capital to grow and support their operations. One of the Committee's foremost priorities is 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, supporting established small businesses, and helping entrepreneurs develop and commercialize innovative ideas in 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 2017 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. 2017-2018 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.

DEPARTMENT OF ECONOMIC DEVELOPMENT

The budget for Fiscal Year 2017-2018 provided an All Funds appropriation of \$92.56 million, an increase of \$4.34 million over the Executive's original proposal for economic development programs. This amount includes a State Operations allocation of \$26.895 million for the Department of Economic Development.

The Aid to Localities budget for Fiscal Year 2017-2018 includes appropriations for the following programs:

- \$150 million for the Regional Economic Development Councils (REDCs), which, with input from the business community, have formulated strategic plans that are 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.
- \$13.818 million for the 15 existing 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.
- \$10 million for the 10 existing 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 \$1 million each. Additionally:
 - \$250,000 was allocated for the SUNY Albany Center of Excellence in the Data Science in Atmospheric and Environmental Predictions and Innovation; and
 - \$500,000 was allocated to New York Medical College to create a Center of Excellence in Precision Responses to Bioterrorism and Disasters.
- \$9.470 million for the Manufacturing Extension Partnership Program, which is administered through the National Institute of Standards and Technology and partners with small- and medium-sized manufacturers by providing them with lab space and advanced technology, connections within the industry, and other resources.
- \$6 million for the High Technology Matching Grants Program.
- \$5 million for the New York State Innovation Hot Spots/ New York State Incubators, which promote a statewide network of university or college affiliated and private sector affiliated innovation hot spots in New York State to support start up and early-stage

companies by providing resources such as office space, shared administrative staff, startup capital, mentoring and networking, tax benefits, and advanced technical assistance to innovative entrepreneurs.

- \$1.38 million for the Technology Development Organizations, which provide technical assistance to high-tech companies seeking to remain competitive.
- \$200,000 for the North Country Chamber of Commerce.
- \$50,000 for the Brooklyn Chamber of Commerce.

URBAN DEVELOPMENT CORPORATION

The Legislature provides an All Funds appropriation of \$2.68 billion, an increase of \$182.54 million over the Executive proposal.

The Aid to Localities budget for Fiscal Year 2017-2018 includes appropriations for the following programs overseen by the Urban Development Corporation, doing business as the Empire Development State Corporation:

- \$69.5 million is allocated for economic development initiatives of the State. Such funds may be used for promoting tourism and expanding business investment and job creation in New York State, including through the Open for Business Program, the Global NY initiatives and trade missions, and the START-UP NY program (provided that no more than 60 percent of the funds used for START-UP NY shall be for advertising and promotion outside the State of New York).
- \$26.180 million for the Empire State Economic Development Fund, which funds strategic projects across the state and is open to businesses of all sizes.
- \$1.795 million for the Community Development Financial Institutions (CDFI) Program, which promotes community development in economically distressed areas by providing loans, investments, and/or banking services to individuals and small businesses that reside in such areas.
- \$1.76 million for the Entrepreneurial Assistance Program (EAP), which provides comprehensive assistance to new startup businesses and helps existing businesses succeed.
- \$635,000 for the Minority-and Women-Owned Business Development and Lending Program.
- \$850,000 for the Bronx Overall Economic Development Corporation.
- \$500,000 for the Brooklyn Chamber of Commerce.

- \$400,000 for the Center State Corporation for Economic Opportunity Program.
- \$250,000 for Adirondack North Country, Inc.
- \$100,000 for the North Country Chamber of Commerce.
- \$100,000 for the New Bronx Chamber Of Commerce, Inc.

ARTICLE VII PROPOSALS

- The Legislature approved a proposal to extend the Minority- and Women-Owned Business enterprise (MWBE) program until April 15, 2018, unless the statewide disparity study was delivered to the legislature by June 30, 2017, in which case the MWBE program would be extended until December 31, 2018.
- The Legislature approved a proposal by the Governor to establish the Life Sciences Initiatives Program to support the advancement of life science technologies, to promote critical public and private sector investment in emerging life science fields, and to foster the creation of new and expanded business development and job growth in the life science industry.
- The Legislature approved a proposal to extend the Urban Development Corporation's authority to administer the Economic Development Fund from July 1, 2017; to July 1, 2018.
- The Legislature approved a proposal to extend the Urban Development Corporation's general loan powers from July 1, 2017; to July 1, 2018.
- The Legislature rejected a proposal by the Governor to recodify START-UP NY as the Excelsior Business Program and make significant programmatic changes.

III. MAJOR ISSUES OF 2017

A. REGULATORY REFORM

Reform Administration of Revolving Loan Funds

(A.4253 Thiele, Passed Both Houses)

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.

Defining Micro Businesses

(A.6650 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 fewer full-time employees or full-time equivalent employees.

B. BUSINESS ASSISTANCE

Small Business Innovation Voucher Program

(A.1260-A Buchwald, Passed Both Houses)

This bill would create the New York State Innovation Voucher Program for the purpose of promoting innovative small business research and development. The program would pair applicants with R&D partners possessing appropriate facilities. Eligible projects would receive vouchers of \$10,000, or \$50,000 in the case of exceptionally innovative projects, and would be required to match the vouchers dollar-for-dollar.

The bill would allow small-business entrepreneurs with innovative ideas to develop and commercialize projects which have the potential to create new technology and jobs in New York.

Pollution Prevention and Compliance

(A. 2348-A Thiele, Reported to the Committee on Ways and Means)

This bill would create a Small Business Environmental Fund to provide financial assistance for pollution prevention, control and compliance assistance to small businesses.

Tax-Deferred Savings Accounts

(A.2457 Lavine, Reported to the Committee on Ways and Means)

This bill would allow small businesses to deposit into a small business tax-deferred savings account up to \$5,000, which may be withdrawn tax-free (at the State level) only if the money is used to create or preserve full-time jobs.

Entrepreneurial Assistance Centers

(A.2805 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.

Microenterprise Development Act

(A.3767 Quart, Passed Assembly)

This bill would establish the Microenterprise Development Act to provide grants of up to \$5,000 to community-based microenterprise development organizations for the purpose of providing technical training and assistance to businesses with five or fewer employees. The program would provide that not less than 50% of the funds made available would be used to benefit persons whose income is not more than 150% of the federal poverty line. The microenterprise development organizations receiving funding would be required to match the grants on a one-to-one ratio.

The bill would allow aspiring entrepreneurs to develop the requisite expertise to strengthen and grow their businesses, and would focus in particular on individuals without the means to acquire such training without financial assistance.

New York State Innovative Energy and Environmental Technology Program

(A.6110 Pichardo, Passed Both Houses, Veto Memo 178)

This bill would create the New York State Innovative Energy and Environmental Technology Program to award grants of up to \$100,000 for the purposes of spurring innovative energy and environmental technology development and commercialization.

The bill would help entrepreneurs with innovative ideas in the energy and environmental sectors develop and commercialize their new technologies, with the intent of creating new jobs, keeping New York State small businesses at the forefront of a burgeoning industry, and developing environmentally friendly technology to align with the State's vision for clean energy.

Assistance for Small Dry Cleaners and Nail Salons

(A.7636 Kim, Passed Both Houses)

This bill would provide financial assistance to dry cleaners and nail salons to help them to make capital improvements in order to comply with recent new environmental regulations.

Specifically, the financial assistance shall be used to help dry cleaning businesses purchase and install non-perchloroethylene machines and sprinkler systems, and to help appearance enhancement businesses make capital improvements and upgrades to mechanical ventilation systems, so that both types of businesses are in compliance with federal, state, and local codes and regulations.

C. EMPLOYEE-OWNED ENTERPRISES

Micro-Business Worker Cooperatives

(A.2804 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.

Advisory Panel on Employee-Owned Enterprises

(A.8179 Ryan, Passed Assembly, Chapter 435)

This bill would establish an advisory panel for the purpose of reviewing state laws and programs in order to report and make recommendations on how to support and promote employee-owned enterprises in New York State. The panel would be responsible for identifying and recommending strategies to promote the creation and development of new employee-owned enterprises, evaluating state and local programs intended to support such businesses, and recommending new or underutilized methods of supporting such businesses, among other things.

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.

Public Hearing on Practices of the Online Lending Industry

The Small Business Committee on May 22, 2017, joined with the Assembly Committees on Banks and Consumer Affairs & Protection and the Senate Committees on Banks and Consumer Protection to hold a hearing to gain insight on the online lending industry and determine whether legislative action is necessary to protect consumers and small businesses from predatory

lending practices. Witnesses included Superintendent of the New York State Department of Financial Services Maria T. Vullo, representatives of online lending organizations such as Lending Club, representatives of the National Federation of Community Development Credit Unions, and others.

Public Hearing on Economic Development, Job Creation, Commerce and Industry

The Small Business Committee on November 13, 2017, in collaboration with Committees on Economic Development, Job Creation, Commerce, and Industry held a hearing that focused on State-supported programs that leverage operating funds with other public and private funding sources to facilitate the transfer of technology advancements into viable long-term business strategies and development. The Department of Economic Development and the Empire State Development administer programs such as Technology Development Organizations, Manufacturing Extension Partnership, Centers of Excellence, Centers for Advanced Technology, and Innovation Hot Spots/ Certified Incubators, and others focused on research, development and technological advancement as well as stimulating business development and expansion across the State. Witnesses included Commissioner of the New York State Department of Economic Development Howard Zemsky, representatives from various educational institutions such as University at Buffalo, representatives of the economic and innovations communities, and others.

IV. OUTLOOK FOR 2018

The Small Business Committee will continue to work to address the needs of small businesses, minority- and women-owned business enterprises (MWBEs), and veteran-owned businesses, creating a supportive environment that encourages their growth, expansion, and stability right here in New York. Issues of access to capital, the expansion of MWBEs, supporting the development and commercialization of innovative new technology, 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

2017 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)	0	0	0
To Ways and Means	9	0	9
To Codes	0	0	0
To Rules	2	0	2
To Judiciary	0	0	0
Total	11	0	11
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	0	0	0
Bills Held for Consideration, Roll-Call Vote	0	0	0
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	28	7	35
Total Number of Committee Meetings Held	3		

APPENDIX B

ASSEMBLY BILL # SPONSOR	FINAL ACTION	DESCRIPTION
A.01260-A Buchwald	Veto Memo 206	This bill would amend the urban development corporation act, in relation to establishing the New York state innovation voucher program.
A.02348-A Thiele	Amended & Recommended to Ways and Means	This bill would amend the economic development law, the public authorities law and the New York State Urban Development Corporation Act, in relation to financial assistance to small businesses for the purpose of pollution prevention, control and compliance.
A.02457 Lavine	Referred to Ways and Means	This bill would amend the Economic Development Law and the Tax Law, in relation to authorizing the creation of small business tax-deferred savings accounts.
A.02804 Thiele	Passed Assembly	This bill would amend the New York State Urban Development Corporation Act and the economic development law, in relation to the creation of micro-business worker cooperatives upon transfer of ownership.
A.02805 Thiele	Passed Assembly	This bill would amend the Economic Development Law, in relation to establishing entrepreneurship assistance centers; to amend the Economic Development Law and the Labor Law, in relation to making technical corrections relating thereto; and to repeal article 9 of the economic development law relating thereto.
A.03767 Quart	Passed Assembly	This bill would establish the microenterprise development act to assist very small businesses and low-income entrepreneurs.
A.04253 Thiele	Chapter 474 of the Laws of 2017	This bill would authorize the Empire State Development Corporation (ESDC) to administer the Regional Revolving Loan Trust Fund Program, Minority and Women Revolving Loan Trust Fund Program, Micro Enterprise Revolving Loan Trust Fund and Commercial District Revolving Loan Trust fund in a manner consistent with the small business revolving loan fund program.
A.06110 Pichardo	Veto Memo 178	This bill would provide for early stage financing of small environmental technology businesses.

A.06650 Gjonaj	Passed Assembly	This bill would create and define micro businesses within New York State.
A.07636 Kim	Veto Memo 212	This bill would expand the eligibility of the urban development corporation act to allow dry cleaning businesses and appearance enhancement businesses which practice nail specialty to make capital improvements through grants and flexible financing programs.
A.08179 Ryan	Chapter 435 of the Laws of 2017	This bill would create an advisory panel on employee-owned enterprises in order to report and make recommendations on how best to support such businesses and promote the formation and growth of new employee-owned enterprises in New York State.