



## REPORT AND RECOMMENDATIONS

# New York State Small Business Task Force

December 2009

**William Grinker, Chair**

[www.nysmallbiztaskforce.org](http://www.nysmallbiztaskforce.org)

## Transmittal Letter

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December 1, 2009

The Honorable David A. Paterson  
Governor of the State of New York  
State Capitol  
Albany, New York 12224

Dear Governor Paterson:

On behalf of the New York State Task Force on Small Business, I hereby submit this Final Report and Recommendations.

Our Report represents the efforts of Task Force members who have worked to formulate recommendations that would have a substantive impact on small business growth and development in New York, including: increasing access to capital, implementing regulatory and administrative reforms, and improving work force training and technical assistance programs. We believe strongly these recommendations will help to make New York State a more hospitable location to start and grow a business.

Just as importantly, however, I believe the Task Force and its Report mark an important milestone in the relationship between the small business community and the State of New York. Under your leadership, we have already seen a significant change in the attitude and actions of State government as it reaches out to make small business a welcome partner in the State's economic recovery. Your Administration recognizes that small business is the engine that will drive our economy forward.

Finally, we have been mindful of the State's serious fiscal situation and have tried to operate within the framework of available resources. Some recommendations can be expected to lead to cost savings or additional resources. Others will require State funding. In either case, we hope the Report provides you with the roadmap for change you were seeking when you established the Task Force in July.

We are honored to have had the opportunity to serve on this Task Force on behalf of New Yorkers, and we look forward to working with you as you continue to expand opportunities for growth and development of small businesses in New York State.

Respectfully submitted,



William Grinker  
Chair

# New York State Small Business Task Force

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## EXECUTIVE SUMMARY

### ***Task Force Background and Methodology***

In New York State, small business is big business. Small businesses represent over 98 percent of all of the State's private employers and employ 55 percent of the State's active private sector labor force. However, the economic recession has hit small businesses especially hard, forcing many to shed jobs or scale back operations. Making matters worse, the credit crisis has made it more difficult to secure financing, which limits growth opportunities and jeopardizes short-term business stability.

Assuming office in the midst of the State's worst economic crisis since the Great Depression, Governor Paterson immediately recognized the ability of small business recovery to reinvigorate the State's economic development. Despite a looming state budget deficit and an economy that had bottomed out, the Paterson administration took advantage of several opportunities to strengthen existing commitments to small business, including: (1) expanding Empire State Development's (ESD's) Entrepreneurial Assistance Program to cover all regions of the State, (2) increasing support for the State's Community Development Financial Institution (CDFI) Assistance Program from \$1.7 to \$4 million, (3) setting aside \$5 million in federal Community Development Block Grants for small business support, and (4) making it easier to qualify for the State's Linked Deposit Program, a program that lowers interest rates to businesses on qualifying bank loans.

In the Spring of 2009, focus groups were held with small business stakeholders throughout New York State. Issues identified at these focus sessions were (1) the high costs of doing business in New York, (2) the availability of affordable financial capital, (3) access to appropriate technical assistance, and (4) the need for an adequately trained workforce.

The Governor determined to follow up on the concerns identified by the focus group process by creating the Small Business Task Force (SBTF) in late June, which consisted of 60 stakeholders from the public, private, and nonprofit sectors. The mission of the SBTF was to develop a range of specific and realistic recommendations of state initiatives that would help meet the needs of small businesses raised in the focus groups. At the same time, the SBTF had to be mindful of the State's looming budget deficit, recognizing that some worthy recommendations would have to be deferred until the State's fiscal situation has improved. As a result, the SBTF prioritized recommendations that centered around improving the efficiency of State government; calls for increased state spending or direct tax cuts were subordinated to overall fiscal conditions.

Through Committee meetings and online discussion groups, the SBTF developed a series of proposals that members ranked in order of priority. The proposals that received the highest priority rankings formed the basis for the following recommendations of the SBTF:

### ***Recommendation 1: Increase Access to Capital***

#### ***A. Create a New Small Business Revolving Loan Fund***

The SBTF proposes a new revolving loan fund dedicated to supporting small business owners who cannot access capital from traditional sources. Data from the 2007 CDFI Data Project suggest that a \$50 million fund allocation would generate approximately a 10:1 leverage or close to \$500 million. Based on job creation estimates by the U.S. Small Business Administration, lending at this scale would create over 14,000 jobs in New York State.

This fund should (1) support both microlending and larger small business financing; (2) be implemented through local lending institutions (e.g., community development financial institutions, community credit unions, community banks, etc.); (3) require other leveraged resources; and (4) reward lenders with an impressive small business lending track record.

B. Create a State-Supported Seed Capital Fund

The SBTF recommends that New York State create a seed capital fund that would leverage private venture capital and support the development of seed-stage and start-up companies. Funds should be allocated to investment managers based on a competitive process, creating incentives for high performance. The geographic reach of the fund as a whole would include the entire State of New York, though individual investment managers could choose to focus on a particular business sector or region. Matching funds could come from New York's approximately 64 venture capital firms, the several Angel Networks located in New York State, or other outside sources. Based on the total research and development funds spent by New York State colleges and universities, it is estimated that approximately 59 university spin-off companies could be created annually, whereas an average of only 20 New York State companies currently receive start-up or seed capital.

C. Expand Eligibility of Existing Loan Programs to Allow Debt Refinancing

Several of the State's loan programs currently do not permit businesses to use funds to refinance existing debt. The SBTF recommends that the State eliminate this restriction where possible. Allowing small businesses to reduce their monthly interest payments could have significant, positive impacts on businesses' cash flow.

D. Explore the Viability of an Interest Rate Subsidy Program

Empire State Development should explore the viability of an expanded Interest Rate Subsidy Program (IRSP) targeted to small business micro-loans that often have higher interest rates than other alternative financing. The structure of an IRSP would likely be to award grants to participating lenders in the amounts necessary to offset the reduced interest rate. As with the previous recommendation, reducing the interest rate on small business loans would provide immediate and tangible financial benefits to small businesses.

**Recommendation 2: Reduce Red Tape and Provide Regulatory Reform**

A. Create Interagency Working Groups

The SBTF recommends that the Interagency Small Business Working Group be reconstituted and reactivated. It is also recommended that an Ombudsman Working Group be formed within that structure to address coordination issues among business-facing staff. These working groups would coordinate small business programs and strategies, create uniform definitions, and share information. This would ensure that interactions between businesses and state agencies are efficient, with fast and easy access to appropriate State resources and information. The working groups would also provide a continuing structure to implement the recommendations of the SBTF.

B. Improve the Efficiency of State Lending Programs

The SBTF recommends that the State launch an effort to improve the efficiency of its small business lending programs by reducing paperwork, increasing the speed of payments, and reallocating funds within existing small business lending programs from lower performing lending partners to higher performing ones. By reallocating funds from areas with low demand to areas of high demand, estimates are that \$1.25 million in additional loan capital for small businesses could be made available at no additional cost to the State.

C. Develop and Implement an Online Permitting and Licensing Process

The SBTF recommends that a New York State e-license system, building on the experience with user accounts that retain basic information, be a high priority for the State. New York State has already shown leadership through the Governor's Office of Regulatory Reform and its interactive Online Permit Assistance and Licensing (OPAL) tools. Furthermore, efforts are already underway to create a single-access portal to all agencies and services, and to create a unified e-licensing system with a simple application for multiple licenses. Such a system is currently estimated at \$10 million. While the SBTF notes that these development costs may not be available under current project timetable (expected completion of FY 2011-12), the State must find ways to maintain momentum in developing better online permit and licensing capability.

D. Pilot and Expand a Voluntary Regulatory Compliance System

A Voluntary Regulatory Compliance System would have two parts. The first would be designed to provide regulated businesses with the information and training they need in order to keep their businesses compliant with State rules, regulations, and laws. The second part of the program would involve using enforcement methods that are fair and designed to achieve compliance through education and dispute resolution. The SBTF recommends that the planning process for a new pilot initiative begin in January 2010, with implementation in June 2010.

E. Develop Consistent and Uniform Definitions – Independent Contractor vs. Employee

The State should create a more consistent and reliable system for deciding who is an employee and who is an independent contractor. Specifically, the SBTF recommends that the authority and membership of the Joint Enforcement Task Force on Employee Misclassifications, headed by the Department of Labor (DOL), be expanded to reduce misclassifications and develop clear criteria and guidelines.

F. Reduce the Impact of Health Insurance Costs on Small Business

The SBTF recommends the following 8 actions, designed to reduce the costs of health insurance for New York's small businesses:

- 1) Restore Prior Approval of Health Insurance Premiums and Increase Minimum Loss Ratios
- 2) Cap Broker Commissions to Reduce Administrative Expenses
- 3) Improve the Family Health Plus Buy – In Program

- 4) Standardize Administrative Requirements
- 5) Increase Transparency for Provider Cost and Quality Information
- 6) Launch the Mandate Review Commission
- 7) Improve Health Information Technology
- 8) Expand the Medical Homes Pilot Project

**Recommendation 3: Provide New Tools and Techniques for Business Growth**

A. Enhance Staff Training to Provide Higher Quality Technical Assistance Services

The SBTF recommends that more professional development and peer-to-peer training opportunities be developed between networks. The SBTF also recommends that Empire State Development begin to facilitate the sharing of training materials, tools, and templates from the Small Business Development Center, Entrepreneurial Assistance Program Centers, and other providers, as well as the storing of materials in a virtual resource library.

B. Provide Greater Access to State Purchasing Opportunities through Procurement Assistance

The SBTF recommends a comprehensive small business procurement enhancement effort that includes (1) increased training of, and outreach to, businesses, government agencies, and small business service providers; and (2) increased direct technical assistance to small businesses around bid development, bid matching, and linking prime contractors with subcontractors and suppliers.

C. Support the Commercialization of Technology

The SBTF recommends the development or enhancement of 7-10 technology incubators throughout the State around a model that includes: (1) connections to capital; (2) management coaching and recruitment of talent; and (3) connections to technology and market planning assistance. Working in tandem with the additional seed capital resources, this effort would assist 250-300 entrepreneurs to develop viable technology companies and secure \$200-\$300 million in investment over the next three years. The goal would be to create up to 10,000 quality jobs in 5-7 years.

D. Integrate Economic Development and Workforce Training Activities through a Sector-Based Strategy

The SBTF recommends that New York align workforce training with implementation of sector strategies and develop certificates that support key occupations in critical growth sectors. Through technical assistance provided by the National Governors' Association Center for Best Practices' Sector Strategies Policy Academy, New York State is focusing on three industry clusters: Green Technologies, Advanced Manufacturing, and Health Care.

E. Create and Expand a Layoff Aversion Program

The Department of Labor is creating Emergency Response Teams that will assist small businesses in distress by providing consulting services to support business turnaround; layoff aversion and is exploring the implementation of Employee Stock Ownership Programs. The SBTF

supports the initiation of this pilot program and encourages a Statewide expansion as soon as possible.

F. Increase On-the-Job Training Opportunities.

The SBTF urges the Department of Labor to use its federal Workforce Investment Act funding to leverage greater local participation by providing matching support on a competitive basis with a release date of early 2010. The goal of the program would be to establish a two-tier OJT program that encourages small businesses to increase hiring, with additional incentive for the hiring of the long-term unemployed.

G. Improve Opportunities for Youth in Small Business

The SBTF urges New York State to find more and better ways to link small businesses to youth employment, and to work with youth to develop business and entrepreneurial skills, including enhancing summer youth programs to include developing job readiness skills and pre-apprenticeship programs; continuing support of internships/apprenticeships and school-to career programs such as job shadowing, mentoring, and career exploration for secondary students and drop-outs; encouraging entrepreneurial training and internships for youth ages 14 – 24; and working with the Young Leaders Congress to leverage the implementation of a Regional Jobs and Internship Portal as a means by which small businesses can be linked with post-secondary students and young professional job-seekers.

**Recommendation 4: Improve Access to, and Awareness of, Available State Resources**

A. Develop a Directory of Small Business Programs

The development of a directory of State programs for small businesses was an immediate recommendation of the SBTF. The first online guide was launched in mid-September and contains information on 140 State programs across 28 agencies. A Spanish-language version is expected to be completed by the end of the year.

B. Coordinate the Directory with Various Existing Websites

The SBTF recommends the expansion of the Directory of Small Business Programs to include information on third-party business support providers, as well as the development of a robust online resource library of business tools, resources, and information, integrated with the existing resources on the ESD website.

C. Create “How-To” manuals

Listings of sector-specific resources, such as manuals on industry operations, should be included in the Directory of Small Business Programs, and tools and links should be included in the online resource library.

D. Update and Enhance the Small Business Alternative Lending Directory.

As a result of the SBTF's Access to Capital Committee work, ESD is currently creating an updated Small Business Alternative Lending Directory, which will include information about public and nonprofit lending programs throughout the State. The target date for completion and dissemination of the Lending Directory coincides with the completion of this Report.

**Conclusion**

The goal of the SBTF was to develop recommendations that could realistically be implemented given the serious fiscal constraints facing New York State today. The SBTF attempted to encourage lower costs for small businesses by adopting recommendations consistent with the Governor's stated mission to create a more efficient and effective State government. In addition, the SBTF attempted to draw on existing State resources wherever possible and eschewed proposals that would have created new State bureaucracies or unnecessary government expansion.

Given the magnitude of the crisis facing small businesses in New York today, the State must invest in small business development by increasing access to capital, reduce red tape and regulatory burdens, provide new tools for business growth, and communicate more effectively with small businesses. Together, these initiatives will enhance opportunities for small business development and renewed prosperity.

The SBTF believes that the specific proposals contained in this report represent an important first step in this process.

# NEW YORK STATE SMALL BUSINESS TASK FORCE REPORT AND RECOMMENDATIONS

## I. BACKGROUND

In New York State, small business is big business. According to 2006 Census statistics, New York is second in the nation in the number of active small businesses with nearly half a million firms that employ 100 or fewer workers, representing over 98 percent of all of the State's private employers. These small businesses employ 55 percent of the State's active private sector labor force and account for 42 percent of all business income in the State.

The economic recession has hit small businesses especially hard. According to the federal Small Business Administration (SBA), the number of small businesses in New York State that filed for bankruptcies in Fiscal Year (FY) 2008 was up 34.5 percent from FY2007. SBA statistics also show that for the 18 months beginning in January 2008, the U.S. economy lost 2.3 million jobs in firms that employ 50 or fewer workers.

Small businesses have been particularly affected by the credit crisis, which has hampered their ability to secure financing. Many major banks continue to shrink their small business loan balances and SBA lending in 2009 to businesses with 500 or fewer employees is projected to be approximately 40 percent lower than the previous year, according to the U.S. Department of Treasury.

### *The State Response*

Assuming office in the midst of the State's worst economic crisis since the Great Depression, Governor Paterson immediately recognized the ability of small business recovery to reinvigorate the State's economic development. Since the 1990s, small businesses have been responsible for 60 to 80 percent of annual job creation and historically have helped lead economic

recovery by creating jobs after a recession, even while larger firms continue to contract. As the Governor has made clear:

**Small businesses are the engine of the New York State economy and helping them grow is among my highest priorities as Governor. We will create a more open and helpful environment in New York in which local businesses can prosper.**

Despite a looming state budget deficit and an economy that had bottomed out, the Paterson administration took advantage of several opportunities to strengthen existing commitments to small business. Chief among them were:

- Expanding Empire State Development's (ESD's) Entrepreneurial Assistance Program to cover all regions of the State;
- More than doubling support for the State's Community Development Financial Institution Assistance Program from \$1.7 to \$4 million;
- Designating \$5 million in federal Community Development Block Grants for small business support; and
- Expanding eligibility for the State's Linked Deposit Program, a program that lowers interest rates to businesses on qualifying bank loans.

As valuable as these efforts were, the administration recognized that much more would be needed. As many commentators have noted, small business development is the engine that drives the economy and from whence new economic growth opportunities spring. That is one reason why the Governor created the Task Force to Diversify the New York State Economy Through Industry-Higher Education Partnerships (the "IHE Task Force"), chaired by Cornell University President David Skorton. The IHE Task Force is charged with ensuring that the extensive educational and research assets of New York State are used to "promote job growth and economic development through business promotion and incubation, and technology commercialization." Through the IHE

Task Force, the Governor has committed to rebuilding the State's economy through innovation, creating high quality jobs and leading the global, knowledge-based, entrepreneurial New Economy.

Another priority of the Paterson administration is opening up new opportunities for minority and women-owned business enterprises (MWBEs) to encourage the diversity and expansion of our intellectual capital. Through Executive Order #10, Governor Paterson created a MWBE Task Force under the aegis of Paul Williams, the Executive Director of the Dormitory Authority of the State of New York. This group has already made great strides in opening up access for minority and women-owned firms to state procurement and contracting activities, especially related to state construction projects.

Third, the Governor created the Small Business Project Team and staffed it with experts from the Governor's Office and Empire State Development. This team was asked to develop a multi-layered strategy that would help the State respond to the emerging needs of the small business community as a whole.

The team's first strategic response was to hold a series of focus groups in eight regions around the State in Spring 2009. These sessions were attended by local small businesses and their representatives, such as chambers of commerce, state and local government officials, educators and financial institutions. In June 2009, ESD issued a report on the findings of the focus groups. While each of the regions had its own distinct concerns, four issues were raised in all of the focus group sessions:

- New York State's "business climate," including health care costs, energy costs, taxes, and regulation;
- The availability of affordable financial capital;
- Access to appropriate technical assistance; and

- The need for an adequately trained workforce.<sup>1</sup>

The team's second strategic response was the creation of this Small Business Task Force.

The third strategic response will be a reinvigorated Small Business Advisory Board. With the conclusion of the Small Business Task Force, the Small Business Advisory Board – members of which have been nominated by the Governor and await Senate confirmation – will continue to provide small businesses' perspective and advocate for the implementation of favorable policies.

## **II. TASK FORCE GOALS AND METHODOLOGY**

The mission of the Governor's Small Business Task Force (SBTF) was to develop a range of specific and realistic recommendations of state initiatives that would help meet the needs of small businesses raised in the focus groups. At the same time, the SBTF had to be mindful of the State's looming budget deficit, recognizing that some worthy recommendations would have to be deferred until the State's fiscal situation has improved. As a result, the SBTF prioritized recommendations that centered around improving the efficiency of State government; calls for increased state spending or direct tax cuts were subordinated to overall fiscal conditions.

The SBTF first convened on July 8, 2009, in Albany. The SBTF was chaired by William Grinker, former President and Chairman of Seedco Financial Services, and included 60 members appointed by the Governor. Members included a wide range of stakeholders, including leaders from various businesses, minority and women interest groups, banks and other financial institutions, higher education leaders, state agency representatives, federal and local government officials, and representatives of the majority and minority leadership from the State Senate and Assembly.

Given the urgency of the economic crisis facing small businesses, the SBTF set a strict timetable to complete its work before the start of the 2010 legislative session. To meet this deadline,

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<sup>1</sup> See Appendix A for Summary Findings of Focus Groups.

the SBTF was broken up into four committees that closely reflected the issues identified in the focus groups:

- Regulatory and Administrative Reform;
- Technical Assistance;
- Access to Capital; and
- Workforce Development.<sup>2</sup>

All members of the SBTF were encouraged to participate in any or all committee deliberations and in-person meetings were supplemented by broad use of electronic media to allow all SBTF members to review the work of each committee. Staff from the Governor's Office and Empire State Development provided leadership on each committee as well as logistical and substantive support. The New York State Department of Labor, Governor's Office of Regulatory Reform, and Banking Department also undertook specific assignments directly related to their areas of expertise.

Generally, each committee evaluated 15 to 20 possible initiatives, which were discussed at meetings in Albany or New York City. Based on these discussions, committee members were asked to rate the initiatives based on short-term and long-term viability and provide an overall ranking. These rankings were then tabulated and the lower-ranked items eliminated from immediate consideration. Staff was assigned to elaborate on the remaining eight to twelve proposals and create reports on each issue. These reports were circulated to the committee members for review and comment and form the basis of the recommendations that follow.

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<sup>2</sup> See Appendix B for the membership and reports of each committee.

### III. RECOMMENDATIONS

This section sets forth the SBTF's four priority recommendations on how New York State can promote the development of its small businesses. Each priority recommendation includes several sub-recommendations of specific initiatives that should be pursued. The appendices contain reports of the four SBTF committees and include a more complete listing of all of the opportunities discussed. Many of these items could be part of an evolving longer term strategy for encouraging small business development and growth.

The four common, and often interrelated, recommendations for improving the State's relationship with and support for small businesses include:

- **Increase Access to Capital;**
- **Reduce Red Tape and Provide Regulatory Reform;**
- **Provide New Tools and Techniques for Business Growth; and**
- **Improve Access to, and Awareness of, Available State Resources.**

Each of these priorities must be developed into actionable initiatives that will spur economic growth and make it easier to conduct business in New York. The Task Force recommends the following specific initiatives for each priority:

#### **Recommendation 1: Increase Access to Capital**

Affordable financing is critical to entrepreneurial and economic growth. Small businesses in every region of the State face a credit crisis brought on by the severe recession of 2008-09. While new SBA programs are expected to have some positive effects on commercial lending, there are still myriad small businesses in New York that cannot obtain a loan despite a proven track record or viable business plan. For the State to be an effective partner in overcoming this issue, it must spur capital formation in the private and public sector through the strategic deployment and leveraging of

its own financial resources and by working to obtain more flexible funding from other sources, such as the federal government.

A. Create a New Small Business Revolving Loan Fund

The credit crisis in commercial banking is continuing; even since April 2009, the top banks that received federal funds from the Troubled Asset Relief Program have cut small business loan balances by \$8 billion. Eight of the top ten small business lenders have cut balances, with the cuts ranging from 1.7 percent to 9.5 percent. The SBTF recognizes that New York State is in a financial crisis of its own and strongly endorses the Governor's reduced spending plan, which will require substantial sacrifice. At the same time, bold and creative leadership is needed to foster economic recovery and growth. Therefore, New York State should fashion a strategy that will ameliorate this problem without an increase in State spending. The SBTF proposes the creation of a revolving loan fund dedicated to supporting small business owners who cannot access capital. Special emphasis will be placed on supporting worthy entrepreneurs, especially MWBEs, who cannot currently access SBA or regular credit markets, with financing that focuses on economic growth and job creation, and that complements other state-supported initiatives such as the Linked Deposit Program.

Projecting the number of businesses that would be impacted by this initiative will depend on the size of the investment that the State is able to make. However, data from the 2007 Community Development Financial Institutions (CDFI) Data Project suggests that a \$50 million allocation to the fund would generate approximately 10:1 leverage, or close to \$500 million. Based on job creation estimates by the U.S. Small Business Administration, lending at this scale would create over 14,000 jobs in New York State.

This revolving loan fund should be governed by four key principles:

1. *Distinguish loans by size.* The fund would establish three categories of loans, such as a micro-loan category of less than \$25,000, a small business category of \$25,000 - \$250,000, and larger small business loans of \$250,000 and above. Each category would have its own underwriting criteria.

2. *Local control.* While a state agency such as ESD would have overall administrative and guideline-setting responsibility, evaluation of borrowers and loan underwriting should be done through local partners (e.g., community development financial institutions, community credit unions, community banks, etc.). To the extent possible, the fund should use existing small business lending infrastructure rather than attempt to create new institutions.

3. *Leverage existing resources.* State lending criteria would require leveraging of private or other government resources (such as local Community Development Block Grant funds) in order to access state support.

4. *Reward success.* Money should be directed to those who demonstrate the ability to leverage non-state resources, make loans effectively and efficiently, and deliver maximum job creation.

B. Create a State-Supported Seed Capital Fund

Data surrounding the research and development (R&D) that takes place at New York State's colleges and universities suggest great potential for business growth in the technology sector. Sixty-eight percent of university start-ups created between 1980 and 2000 remained in business in 2001, compared to only 10% among non-university start-ups. In 2006, New York's colleges and universities spent \$3.8 billion on research and development (8% of the nation's total), second only to California, which spent \$6.5 billion. However, in terms of venture capital investment, New York ranked fifth in the country, lagging far behind California and Massachusetts. In 2007, more than \$14 billion of venture capital was invested in California, \$3.5 billion in Massachusetts, and only \$1.2 billion in New York. Only \$47 million of the venture capital investments in New York went to seed-stage or start-up companies.

An often-cited example of a state-sponsored seed capital program is Pennsylvania's Ben Franklin Technology Partners (BFTP). Through this initiative, Pennsylvania has invested \$16 - \$20 million a year in early-stage companies, plus whatever was earned in the previous year from such investments. Although Pennsylvania has not earned back all of the money invested, an independent study found that BFTP has created or retained 46,500 jobs since 1988, paying wages that are 28 percent higher than the state average. The study also found that the program's direct and indirect economic impact between 1989 and 2001 was \$8 billion and that additional state tax revenue generated by that activity more than covered the cost of the program.

The SBTF recommends that New York State create a seed capital fund that would leverage private venture capital and support the development of seed-stage and start-up companies, defined as companies that are pre-revenue or just starting to realize revenue. The highest priority should be given to ventures that fit within the framework of the Governor's IHE Task Force and MWBE Task Force and offer opportunities for strong and sustained in-state economic growth.

However, individual investment decisions should not be made by any state agency and should be based on return on investment. Funds should be allocated to investment managers based on a competitive process, creating incentives for high performance. The geographic reach of the fund as a whole would include the entire State of New York, though individual investment managers could choose to focus on a particular business sector or region.

To satisfy private matching requirements, the State should explore partnerships with the approximately 64 venture capital firms and the several Angel Networks located in New York State. A collaboration of organized angel investor groups recently created the New York Angel Network, which consists of 11 organized Angel Investor Groups totaling over 300 investors. Private capital from outside New York State could also satisfy the fund's matching requirement. Based on the total R&D spent by New York State colleges and universities, it is estimated that approximately 59

university spin-off companies could be created annually, whereas an average of only 20 New York State companies currently receive start-up or seed capital.

C. Expand Eligibility of Existing Loan Programs to Allow Debt Refinancing

The State should modify existing loan programs to permit small businesses to refinance existing debt on more favorable terms, which would allow these businesses to improve their cash flow. Too often, commercial credit cards are the first and only means for small businesses to access credit. And while credit cards provide relatively easy and convenient credit, interest rates are substantially higher (often topping 20%) than loans available through banks, credit unions, or CDFIs. For example, a small business with \$20,000 in credit card debt could expect to pay \$4,000 or more a year in interest on credit card debt. However, if the business were able to refinance that debt under one of the State's existing micro-loan programs, the interest payments could fall to as little as \$1,200 to \$1,600, saving the business nearly \$3,000 a year. It should be noted that although the SBA's primary lending program does not restrict borrowers from debt consolidation, most debt payoff requirements restrict the borrower from acquiring further high interest debt.

The State loan programs that currently do not allow funds to be used for refinancing existing debt are:

1. ESD's Regional, MWBE, Commercial District, and Micro-enterprise Revolving Loan Trust Fund (collectively "RLTF") programs;
2. ESD's Linked Deposit Program; and
3. Division of Housing and Community Renewal's Small Business and Micro-Loan Programs.

Because the modification of these programs will require both statutory and regulatory change, the SBTF does not anticipate that this recommendation will be achieved quickly. However, the Governor should begin the process with a target date for completion in late 2010. It has been

estimated that overall loan volume could increase by as much as 25 percent if debt refinancing and consolidation were considered eligible uses of funds.

D. Explore the Viability of an Interest Rate Subsidy Program (IRSP)

ESD should explore the viability of an expanded Interest Rate Subsidy Program targeted to small business microloans that often have higher interest rates than other alternative financing. The goal would be to lower the effective interest rate that small businesses pay for capital. The advantage to small businesses is straightforward: if a business borrowing \$10,000 at an APR of 14% would normally pay \$1,400 in interest, an IRSP that lowered the effective interest rate to 10%, would lower the payments to \$1,000, saving the business \$400 per year.

ESD's existing IRSP program has had some success. In November 2006, ESD awarded \$360,000 in grants to eight nonprofit lenders throughout New York State for the purpose of enhancing their capacity to provide capital to MWBEs at reduced interest rates. The organizations offer interest subsidy grants to MWBEs that have at least one year of operating history, in order to alleviate their debt burden and free up cash for other business uses. In addition, participants in this program received pre- and post-loan technical assistance to ensure the long term success of the businesses. To date, 133 loans totaling \$2 million have been made utilizing interest rate subsidies that vary depending on the amount, term, and tenure of each loan. MWBEs saved \$100 to \$2,200 annually, with an average interest rate below 7%.

The structure of an IRSP would likely be to award grants to participating lenders in the amounts necessary to offset the reduced interest rate. Participating lenders would be selected through a competitive Request for Proposals process. If and when State resources become available, an IRSP at the scale of \$500,000 to \$1 million should be considered.

## **Recommendation 2: Reduce Red Tape and Provide Regulatory Reform**

There was a general consensus among SBTF members, including state agency representatives, that the State has to do a better job of coordinating its various services to reduce duplication, eliminate antiquated processes and streamline its regulatory requirements. The SBTF is a good example of coordination because it brought together diverse private and public stakeholders to discuss common problems in a collegial environment. In fact, its existence has fostered various new cooperative initiatives between ESD, the State Department of Labor, and the State Banking Department. The Task Force urges that ongoing interagency structures be created under the Governor's auspices to further enhance this cooperative environment.

There are a number of challenges to streamlining and coordinating small business supports. Best practices and program strategies are not always shared; definitions such as "small business" and "independent contractor" can vary across agencies; ombudsman services at various agencies lack a mutual support system and a mechanism to share contacts, information, and strategies; and State reform efforts do not always have a structure to ensure that the interests of small businesses are effectively recognized. To overcome these obstacles, the SBTF outlined the following course of action:

### A. Create Interagency Working Groups

An Interagency Small Business Working Group was created in 1980 in response to the mandate of the Economic Development Law. However, the working group has been dormant in recent years and the SBTF recommends that the Interagency Small Business Working Group be reconstituted and reactivated. It is also recommended that an Ombudsman Working Group be formed within that structure to address coordination issues among business-facing staff. These working groups will coordinate legislative, regulatory, programmatic and administrative issues

relating to small business; streamline connections between small businesses and state agencies; and provide a forum to anticipate and respond to challenges affecting the operation of small businesses.

The Task Force anticipates the Interagency Small Business Working Group will be comprised of senior representatives from 10-20 agencies, as well as the Executive Chamber, and will assist in the implementation of recommendations of the Governor's Small Business Task Force. In addition, the Small Business Advisory Board will contribute to this discussion and representatives from business associations and other stakeholder groups should be brought in and consulted as necessary.

The Ombudsman Working Group will consist of ombudsman from the critical agencies serving small businesses. A separate group for this area is recommended since the audience (line staff) and the scope of work (information sharing) is different from the activities of the previously described group. The New York State Directory of Small Business Programs should include a list of ombudsman and program administrators at various agencies. The Ombudsman Working Group would facilitate the exchange of program/contact information and best practices, help develop consistent definitions, and address challenges to serving the business community quickly and efficiently. A standard protocol for handling business requests, including customer service standards and requirements for prompt responses, would be developed along with quality control procedures.

#### B. Improve the Efficiency of State Lending Programs

The SBTF notes that many small businesses are not aware of current financing opportunities through the State. This problem can be ameliorated with improved information dissemination strategies (See Recommendation 4 below). At the same time, many small businesses have been reluctant to pursue public funding due to the lengthy and complex processes that can be required, as well as certain limitations on the scope and eligibility requirements of some lending programs.

Therefore, the SBTF recommends that the State launch an effort to improve the efficiency of its

small business lending programs by reducing paperwork and increasing the speed of payments. An overhaul of the current processes will encourage small business owners to engage the State and take advantage of existing programs. In addition, this reform would benefit small businesses by reducing the staff time spent on obtaining capital through the State.

Beginning in January 2010, under the auspices of the Governor's Office of Economic Development and ESD, the State should review all of its existing loan programs – including, but not limited to, direct loans from ESD and the Job Development Authority, ESD's Revolving Loan Trust Fund Program, and the Community Development Block Grant small business loan programs – to determine where efficiency and effectiveness can be improved.

For example, current law allows JDA to have up to \$750 million of State-guaranteed bonds outstanding at any time; currently, there is less than \$33 million in bonds outstanding. From 1995 to 2007, JDA made 58 loans totaling \$80.1MM to small businesses. However, since 2007, JDA has not closed any small business loans. This can be attributed to several factors, including a negative image of JDA due to the lengthy processing of loan applications and loan closings. A streamlined JDA process, coupled with other reforms to the program, could significantly increase the amount of capital (by as much as \$700 million under law) that is made available to small businesses.

A second example would be to have ESD reallocate funds in the Revolving Loan Trust Fund to its higher performing partners. Based on current availability, approximately \$1.25 million could be immediately reallocated from areas with little or no demand to areas of high demand. Leveraging requirements for these funds could also substantially increase their impact.

C. Develop and Implement an Online Permitting and Licensing Process

The effectiveness of the SBTF's recommendations will be significantly enhanced through the improved use of computer-related technology and tools. For example, multiple agencies and jurisdictions frequently regulate the same or related activities with separate permits and licenses.

Duplicative and overlapping permits – a frequent complaint of small businesses – should be consolidated into unified permits and licenses. A number of states, including Texas, Florida, and Alabama, have already taken similar measures. In addition, New York City has created is implementing “NYC Business Express,” a business e-licensing system that has been well-received by the small business community. The SBTF recommends that New York State prioritize an e-license system that builds on prior experience with user accounts and retains basic information.

New York State has already shown leadership in this area through the Governor’s Office of Regulatory Reform and its interactive Online Permit Assistance and Licensing (OPAL) tools. Furthermore, the Office for Technology (OFT) recently initiated two projects to improve the process. First, the Enterprise Identity Access Management System creates an electronic interface that is available for use by all State agencies, serving both businesses and individuals. Each user creates a unique account and password through which all other electronic registrations can be accessed. The Access Management System will not retain account information, but it will create a single-access portal to all agencies and services. This is designed to streamline the application process within an agency. OFT projects initial implementation of the Enterprise Identity Access Management System by January 2010, linking all agencies with online license and permit registration systems. We recommend that the e-licensing project development teams create a method for effective communication with the small business community to help identify duplicative and overlapping permits and ensure that the specific concerns of that community are addressed as these projects evolve.

Second, OFT is also working with the Office for Taxpayer Accountability and the Division of the Budget to create a unified e-licensing system with a simple application for multiple licenses and an integrated database to retain basic information among agencies. Agencies participating in the

initial phase of the project include GORR, Ag & Markets, Department of State, State Education, and the State Liquor Authority.

OFT's current timetable for creating an e-license system calls for an RFP to be issued in September 2010, seeking an off-the-shelf technology solution that is user-friendly and will allow additional agencies to be easily added to the system. Completion of the initial system is expected in FY 2011-12. Initial resources to launch the RFP are estimated at \$125,000, with the system itself costing approximately \$10 million. If these estimates are accurate, the Task Force notes that the development timetable may not be possible given the State's budget situation. At the same time, a cost-benefit analysis may reveal significant savings in terms of current data entry and processing costs. There may also be opportunities for stretching out the implementation timetable to reduce annual expenditures. The Task Force urges the Governor's office to coordinate this cost-benefit analysis and find ways to maintain momentum in developing enhanced online permits and licensing capability.

D. Pilot and Expand a Voluntary Regulatory Compliance System

The SBTF examined a number of alternatives for improving the responsiveness of State regulatory processes to the needs of small business. Several ideas were discussed, and one that emerged as a possibility for immediate implementation was increasing the flexibility of State agencies to allow small businesses to proceed with a voluntary compliance system wherever feasible.

Such a program would have two parts. First, agencies should create compliance guides that provide regulated businesses with the information and training they need in order to keep their businesses compliant with State rules, regulations, and laws. In-person and online training courses would be presented by State agency regulators to help business owners, operators, and employees understand their duties and responsibilities under the law. Second, agencies should focus on

enforcement methods that are fair and designed to achieve compliance through education and dispute resolution.

Several New York State agencies have begun implementing these processes. For example, the Department of Environmental Conservation is testing a pilot program developed by the U.S. EPA in partnership with ESD and the Environmental Facilities Corporation (EFC), called the Environmental Results Program. This pilot program is targeting auto body shops, which must comply with hazardous waste and clean air regulations. ESD is providing outreach and information to the industry, as well as technical assistance and workshops to improve compliance rates and avoid the need for enforcement penalties. Other State programs have been undertaken by the State Liquor Authority, which provides free training seminars to educate restaurant and bar owners of their obligations under the law, and the Health Department, which works with licensees to achieve compliance instead of resorting immediately to fines and penalties.

The SBTF believes that over time this strategy should be implemented at all agencies that have a regulatory function. The proposed Interagency Small Business Working Group should take responsibility for reviewing the progress of voluntary compliance strategies and overseeing the implementation of this recommendation. The SBTF recommends that the planning process for a new pilot initiative begin in January 2010, with implementation in June 2010.

E. Develop Consistent and Uniform Definitions – “Independent Contractor” vs. “Employee”

The Task Force concentrated on the confusing and tricky question of consistency in the legal definitions of “employee” and “independent contractor.”

The nature of the State’s workforce and the workforce environment have changed. These changes have occurred due to the growth of technology and other types of industries, an increase in employee contracting and a breakdown of traditional employer/employee bonds. Individuals may work offsite for one employer or for multiple businesses, and assignments may be short or long

term. These flexible working arrangements, while accommodating the needs of individual workers and businesses, have made it more difficult to sort out employment or independent contractor relationships. Clear criteria are not applied to determine who is an employee or independent contractor within a particular industry, with its unique set of working conditions and requirements. And businesses and workers use their own judgment to decide upon employment status.

This confusion over proper classification becomes more complicated because the State entities involved may render different determinations for any given worker or group of workers, making both businesses and workers more vulnerable to unexpected liability. Thus, a business may satisfy its tax and insurance obligations for one State regulator, but in doing so could cause non-compliance with another agency's requirements. This can result in the liability of back taxes, premiums and penalties, including automatic debarment from State contracts. In its 2009 report to the Governor, the Joint Enforcement Task Force on Misclassification reported 12,300 instances of employee misclassification. Enforcement activities lead to additional assessments of over \$4.8 million in unemployment taxes and over \$1 million in unemployment insurance fraud penalties, \$157 million in unreported wages, more than \$12 million in unpaid wages, and over \$1.1 million in workers' compensation fines and penalties. Finally, and similarly frustrating, state and federal determinations may differ on the same worker.

The SBTF calls upon the State to create a more consistent and reliable system for deciding who is an employee and who is an independent contractor. Specifically, the SBTF recommends that the authority and membership of the Joint Enforcement Task Force on Employee Misclassifications, headed by the Department of Labor, be expanded to reduce misclassifications and develop clear criteria and guidelines, rather than just enforce them. In addition, the SBTF recommends that the Task Force on Employee Misclassifications, which does not currently include

members of the small business community, develop appropriate mechanisms for ensuring significant participation by and input from the business community..

Under a current Executive Order, the Employee Misclassification Task Force is charged with working cooperatively with business, labor, and community groups to reduce employee misclassification and establish ways to prevent it. This Task Force reports annually to the Governor on ways to improve the classification standards and processes. The Governor should direct the Employee Misclassification Task Force to draft legislation that will provide greater consistency and enforcement among State and federal partners, based on the three factors commonly referred to as the ABC test.<sup>3</sup> New York is presently among a minority of states that apply the common law test for determining the employment status of workers, rather than an ABC test. The Employee Misclassification Task Force should address consistency in determinations among State agencies and develop a general approach to defining worker classifications, while also developing industry-specific guidelines where needed. This will allow for the fair and reasonable use of independent contractors while protecting legitimate employees.

The SBTF recognizes that reaching consensus on definitional guidelines will not be easy and may take time, but it recommends an implementation strategy that starts with guidelines for one industry that can be quickly developed and implemented. After this, the process could proceed gradually through the industries that have the most problems with misclassification. The SBTF is also cognizant that present misclassifications can result in overall savings for some small businesses because of under-reporting of tax liability. However, the SBTF believes that the uncertainty and

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<sup>3</sup> Under the ABC Test, an employer must provide unemployment insurance coverage, unless the following three parts of the test are met: (A) Such individual has been and will continue to be free from control or direction over the performance of such services, both under his contract of service and in fact; and (B) Such service is either outside the usual course of the business for which such service is performed or that such service is performed outside of all the places of business of the enterprise for which such service is performed; and (C) Such individual is customarily engaged in an independently established trade, occupation, profession or business.

penalties involved, together with the need to establish a level playing field for the small businesses that are complying with the classifications, more than compensate for this disadvantage.

The SBTF also notes that a second definitional question between “farm” and “small business” was a concern within the agricultural community. The farm/small business issue is less about worker classification than the economic needs of many agricultural production facilities, which are generally located in rural areas, to also function as small retail operations. This raises issues with State and local agencies such as zoning, road signage and traffic, among others. The SBTF suggests that the Small Business Ombudsman Working Group work in partnership with the Governor’s Office for Regulatory Reform to examine this issue and related definitional impediments to small business development.

F. Reduce the Impact of Health Insurance Costs on Small Business

Nationwide, without any health care reform, small businesses will pay nearly \$2.4 trillion in health care costs over the next ten years. According to reports from the NYS Department of Health and the NYS Department of Insurance, the cost for small businesses is 20% higher than the cost for large businesses, which is likely a factor in the declining number of small businesses offering insurance: from 67% in 1995 to 38% in 2008. In addition, the average small business in New York pays between \$53,000 and \$167,000 a year to cover an average of eight workers.

Currently, the State helps small business access health care coverage through the Family Health Plus (FHP) program, managed by the New York State Department of Health. FHP premiums are relatively high, but the program provides comprehensive coverage with low deductibles and co-pays. Businesses must pay at least 70% of the premium, and the State subsidizes the employee share for low-income workers. FHP groups with 50 or fewer employees pay rates that are about 11% higher than FHP groups with more than 50. But Since FHP premiums are higher than commercial insurance coverage available in New York State, Chambers of Commerce aggregate

pools of small business members to purchase commercial insurance coverage. While these pools reduce costs below individual purchases, the aggregated costs remain about 18% higher than premiums for larger businesses. The mechanisms for creating small business purchasing pools already exist. However, the New York products those pools can purchase – whether FHP or commercially offered – remain relatively expensive.

To be sure, health care reforms being proposed at the federal level will likely have significant impacts on small business health care costs and coverage, and much of what can be done for small businesses will depend on the Federal government. At the same time, the SBTf suggests that there are a number of actions that New York can take now, and we recommend that the State move forward forcefully to implement its own reform strategy for reducing burdens on small business.

Specifically, the Task Force recommends the following 8 actions:

1) Restoring Prior Approval of Health Insurance Premiums and Increasing Minimum Loss Ratios. This will protect consumers, discourage anti-competitive practices, contain escalating premiums and ensure that a greater percentage of each premium dollar is used to pay medical claims. Since New York State law changed in 2000, insurers have been permitted to increase their small group premium rates by any amount without the prior approval of the Insurance Department (via “file and use”). Also, since 2000 annual premium rate increases have risen dramatically. From 1996 to 1999, small group premium increases averaged 5.2% annually. After 2000, the increases averaged 13.96% annually. If regulation reduced these increases by as little as 2% annually, today’s small group premiums would be 22.4% lower and coverage would be more affordable for employers. The cumulative impact on financially strained small businesses has been severe, while health plans have enjoyed years of increasing profits, dividends, and net worth. In addition to restoring prior approval

of premium rate increases, increasing the small group minimum loss ratios from 75% to 85% would contain premiums and ensure that health plans spend \$.85 of each premium dollar paying claims.<sup>4</sup>

2) Capping Broker Commissions to Reduce Administrative Expenses. Under current rules, the commission rates payable by a Health Maintenance Organization (HMO) to an insurance agent or broker may not exceed 4% of the premium. However, there is no such cap applicable to policies sold by non-HMOs in the small group health market. Insurance regulations should be amended to extend the four percent commission cap to non-HMOs. The small group market is extremely price sensitive and imposing a cap on commissions may help contain premium costs. This change would also create a level playing field between HMOs and non-HMOs to ensure that the advice provided to small groups by agents and brokers is not influenced by the size of the commission. Leveling the playing field between HMOs and non-HMOs would also result in increased competition and reduced premiums.

3) Improve the Family Health Plus Buy-In Program. Premiums for the FHP Employer Buy-In Program exceed those available in the commercial marketplace. Adjustments to that program should allow for benefit flexibility, simplified enrollment, enhanced bargaining power, reduced provider reimbursement levels, increased health plan participation and the reduced impact of taxes and assessments.

4) Administrative Standardization. The policies and procedures of health plans and providers should be standardized to reduce costs, enhance efficiencies, and avoid waste. The current lack of standardization is inefficient and costly. Different health plans use different forms and different guidelines and providers must juggle multiple systems and mechanisms to submit claims and appeal denials. According to the NYS Department of Insurance, 30-cents of every dollar received by providers is consumed by the administrative expenses associated with filing claims and other

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<sup>4</sup> The National Federation of Independent Businesses and the Business Council of NYS did not support this recommendation.

paperwork with varying requirements. These costs directly impact premiums. Standardization would promote uniformity, simplification and cost savings. Referral forms, provider credentialing applications, enrollment forms, and contract language should be standardized. Claims should be processed using standardized claim forms and communications, common guidelines for CPT codes, and consistent time frames. Incentives should be provided to encourage electronic claims submission and payment.

5) Provider Cost and Quality Information. Transparency should be increased to allow consumers to make informed decisions when accessing health care services. Consumers should know what providers will charge and what their health plan will reimburse. Controls must prevent excessive emergency room charges for out-of-network care to protect consumers when they have no choice in the selection of providers. Provider reimbursement should encourage best practices and promote cost effective care.

6) The Mandate Review Commission. Mandates significantly impact the cost of coverage in New York; therefore, a mechanism to evaluate their efficacy and inform consumers and legislators is necessary. The Health Care Quality and Cost Containment Commission was created to review health insurance mandates, but it is not yet fully operational. New mandates must be reviewed before enactment. Additionally, several existing mandates should be reviewed to determine their ongoing usefulness.

7) Health Information Technology. There should be continued investments in health information technology by the State and federal government, as well as private industry. This would assist in curbing medical expenses on many fronts by reducing the number of errors, improving efficiency and tracking the effectiveness of medical diagnosis and treatments.

8) Medical Homes. Currently a pilot project in the Adirondacks, this effort seeks to reduce medical expenses by increasing reimbursement for care coordination and related primary care

activities. This would improve the effectiveness of treatment and care and reduce expensive and unnecessary hospital re-admissions. If successful, this project will be expanded to other areas of the State.

**Recommendation 3: Provide New Tools and Techniques for Business Growth**

The SBTF recognizes that there are a number of opportunities for the State to build on existing programs to enhance small business growth. Several of these, especially in the areas of workforce development and procurement assistance, are already important to MWBEs, and expansion of these efforts will be an important adjunct to the efforts of the State's MWBE Task Force. Furthermore, because much of the funding for the New York State Department of Labor (DOL) relies on federal sources, there are several important initiatives, set forth below, that DOL is planning. These initiatives will assist small businesses and reduce unemployment. Again, in this period of fiscal austerity, the State must be careful not to promise more than it can to deliver, so these recommendations are perhaps more modest than they would be in robust economic times.

A. Enhance Staff Training to Provide Higher Quality Technical Assistance Services

While a number of information sharing and professional development opportunities are available and utilized within existing networks, there are only limited opportunities to (1) share best practices and information *between* networks (in particular, the State's Small Business Development Center (SBDC) and Entrepreneurial Assistance Program (EAP)) and (2) harness the expertise of various centers and counselors to centralize documents, training materials, tools and templates.

Therefore, the SBTF recommends that more professional development and peer-to-peer training opportunities be developed between networks; that ESD begin to facilitate the sharing of training materials, tools and templates from the SBDC and EAP networks; and that a virtual resource library be developed that could ultimately be used to enhance the State's small business website and improve the quality of the small business ombudsman. Network directors should work

together to capture best practices, curricula, tools and resources, and share that information broadly among staff of both networks. Training and demonstration events should be held using webinars and other low-cost options. Ultimately, these tools should be included in an expanded resource center section on ESD's small business website.

There are a number of resources that exist both nationally (e.g., Association for Enterprise Opportunity) and within the State (e.g., Community Resource Exchange) that are available to provide the material necessary to carry out this effort. Computer technology should be fully utilized to keep training costs low and make efficient use of staff time.

B. Provide Greater Access to State Purchasing Opportunities through Procurement Assistance

The Task Force recommends a comprehensive small business procurement enhancement effort that includes:

- Increased training of, and outreach to, businesses, government agencies, and small business service providers; and
- Increased direct technical assistance to small businesses around bid development, bid matching, and linking prime contractors with subcontractors and suppliers.

These efforts would result in greater understanding of the procurement process for both business service providers and small businesses, as well as faster direct connections to procurement opportunities, agency representatives, and possible subcontractor and supplier relationships. There is also the potential for better small business bids. The federal government and several states such as Massachusetts, Texas, and Georgia have developed processes that could be adapted to New York's needs. The SBTF recommends that ESD lead the effort to implement these initiatives by the end of FY2010.

Furthermore, because contracting and subcontracting opportunities are so important for small businesses, the SBTF recommends that New York continue its efforts to increase small business participation in the State's procurement process. The SBTF recognizes that there are many pros and cons to implementing targeted "goals" and "set aside" strategies for procurement. Therefore, it is also recommended that over the next year, as more information concerning the effectiveness of current policies is developed, the Governor's office and ESD should carefully review and consider additional mechanisms to enhance procurement opportunities for small business.

#### Training and Outreach

ESD's Procurement Unit currently participates in approximately 14 group trainings with 800 individuals per year, helping State agencies, small business technical assistance providers, and small businesses directly navigate the procurement process and find appropriate opportunities. These trainings include events sponsored by the New York State Office of General Services, SBA, Procurement Technical Assistance Centers, and various other State agencies and small business service providers. In addition, the Office of General Services, with the assistance of other State agencies, conducts approximately 15 workshops or outreach events annually for businesses in all regions, including MWBEs and veterans groups. This training includes information about bonding and identifying resources such as those offered by the SBA.

The SBTF recommends that New York increase the number of regular training sessions and coordinate additional, multi-agency matchmaker events. One additional workshop for businesses in each of the State's 10 regions and 3 multi-stakeholder regional matchmaker events could reach an additional 700-1,000 businesses.

#### Technical Assistance

New York should also expand efforts to provide small businesses with assistance in obtaining specific State contracts or subcontracts by establishing a statewide Procurement Technical Assistance Center program. This program will link prime contractors with small business subcontractors, establish mentor-protégé programs, and enhance the *NYS Contract Reporter*, the online publication for New York State's contracting opportunities.

The federal government provides matching funds to states that establish a Procurement Technical Assistance Center (PTAC) program. PTACs provide hands-on bidding information and guidance, as well as bid preparation, to businesses for federal, state, and local contracting. Rather than developing an entirely new network, the State should explore designating the Small Business Development Centers as a statewide PTAC that would provide procurement assistance through the existing 24 SBDCs across the State. Such a designation would allow the SBDCs to apply for federal matching funds of up to \$600,000 to support more individual technical assistance around bid preparation and bid matching to federal, state, and local opportunities.

*Linking Prime Contractors with Potential Subcontractors and Suppliers*

The Omnibus Procurement Act contains provisions that were intended to help NYS small businesses, including MWBEs, connect with existing State contractors. However, current efforts at enforcing these requirements and helping small business subcontractors and suppliers link to prime contractors are limited. There should be increased agency involvement and coordination in this area, lead by the Procurement Unit at ESD. The Procurement Unit should distribute comprehensive lists of appropriate New York State small business vendors to prime contractors, and provide direct technical assistance to selected prime contractors and potential subcontractors to facilitate these relationships. With one to two additional staff, the Procurement Unit could actively engage an estimated 100-200 prime contractors per year and build relationships to hundreds of potential small

business subcontractors and suppliers. It could also carry out additional elements of the SBTF's procurement recommendations.

#### *Other Procurement Initiatives*

There are a number of other initiatives that the State can pursue to improve the procurement opportunities for small businesses and MWBEs. These include enhancing the New York State Contractor Reporter Website and adopting the New York State Procurement Council recommendations for a centralized, online bidder registry and e-mail notification system.

#### C. Support the Commercialization of Technology

While New York State's extensive higher education community is a leader in research and development of technology, this technology often is not commercialized successfully. Firms either cannot secure investments to bridge the so-called "valley of death" (the period between the initial seed capital stage and venture capital funding), or their technology is exported elsewhere for commercial development. The SBTF strongly believes that New York must support innovative entrepreneurs in the commercial development of new technology businesses. Discussions with the Governor's IHE Task Force suggest that it is arriving at a similar conclusion. Both groups see the high value in an approach that links technology-focused support organizations (such as tech incubators or accelerators) with technology entrepreneurs and developers to provide necessary funding and comprehensive services. These service providers would incorporate a model of development that includes (1) connections to capital; (2) management coaching and recruitment of talent; and (3) connections to technology and market planning assistance that will help refine the business model and develop products. This technical assistance would work in tandem with additional early-stage funding, described in Recommendation 1B above. Research has shown that for every \$1 of estimated public operating subsidy provided the incubator, clients and graduates of incubators generate approximately 30-cents in local tax revenue alone.

Currently there are approximately 80 technology incubators or co-location facilities in New York State. Additionally, there is a network of Regional Technology Development Centers (RTDCs), funded by the New York State Foundation for Science, Technology, and Innovation (NYSTAR), which are designed to cultivate the growth of the high-tech industry and help smaller manufacturers modernize. The SBTF recommends that resources be secured to enable networks of service providers, such as the RTDCs, to develop technology incubators and incorporate the comprehensive model described above. New York should support the development or enhancement of 7-10 technology incubators throughout the State. Working with the additional seed capital resources, this effort would assist an estimated 250-300 entrepreneurs and would secure \$200-\$300 million in investment over the next three years with the goal of creating up to 10,000 quality jobs in 5-7 years.

Depending on scale, this initiative could initially cost between \$3 and \$10 million annually (\$500,000 - \$1 million per incubator). Over time, if structured to enable the incubators to receive payback from successful new ventures, this cost would go down. The SBTF does not recommend that the State create new budget expenditures for this proposal during a period of fiscal austerity. Rather, it should finance this effort by exploring the creative use of existing resources, including federal funds for science and technology, energy conservation, and economic recovery, together with existing university endowment resources and private venture capital.

D. Integrate Economic Development and Workforce Training Activities through a Sector-Based Strategy

The Task Force recommends that New York align of workforce training with implementation of sector strategies and development of certificates that support key occupations in critical growth sectors. These interrelated initiatives can help develop workforce opportunities, enhance labor force skills, build talent to support the State's economic development and leverage economic and workforce development systems.

Over the last 18 months, participants from New York State agencies, sector associations, and labor have participated in the National Governors Association Center for Best Practices' Sector Strategies Policy Academy focusing on three industry clusters: Green Technologies, Advanced Manufacturing, and Health Care. The purpose of the Policy Academy is to develop and implement a strategy that will make New York successful in a global economy. This means that New York employers in high-wage, high value-added industries must have the skilled workers they need to grow, and low-wage workers must have the skills needed to achieve self-sufficiency and economic advancement.

Two factors are critical in sector strategy implementation – strong industry and employer involvement and work credentialing. An action plan for New York should include partnering with businesses in the three industry sectors to develop new certification programs (or adopt existing ones) for critical occupations. The intent of these certifications is to provide employers and job-seekers with evidence that individuals possess the skills necessary to effectively perform the job.

While sector partnerships can be particularly beneficial for low-skilled and low-income workers, the use of certifications will benefit higher skilled workers as well. Establishing career pathways will provide opportunities for continued career growth for all employees. Three populations will be targeted for participation in the Coordinated Sector Strategy Initiative: high school graduates, incumbent workers who could advance with new skills and displaced workers who could gain skills in target industries.

Implementation of certification programs would draw upon several existing DOL apprenticeship programs that are available in over 300 occupations in both union and non-union environments. In addition, the SUNY and CUNY systems, as well as private colleges and universities, have developed extensive certification programs in a variety of low- and high-tech occupations. Using input from businesses, these may be used as is or modified to meet occupational

performance requirements. A recent change in the U.S. Department of Labor's Apprenticeship Regulations may ease the implementation of certification programs. New regulations allow for an individual's successful completion to be measured in terms of their ability (competency-based), rather than the number of hours in related instruction to meet level of performance requirements.

The SBTF recommendation is based on the assumption that funds to implement this industry-linked training and certification approach can be accessed primarily through Workforce Investment Act (WIA) and Temporary Assistance to Needy Families (TANF) resources. DOL is encouraged to use all deliberate speed in developing the details and implementation schedule of this effort, in conjunction with the State's institutes of higher education and ESD. In addition, we urge that this strategy be incorporated into the planning and design work of the IHE Task Force.

E. Create and Expand a Layoff Aversion Program

The State Department of Labor is in the process of creating Emergency Response Teams that will assist small businesses in distress. The Task Force supports the initiation of this pilot program, slated to begin in the New York City and Long Island regions in January, and then rolled out in the other regions of the State over the course of 2010. The program consists of the following key components:

1. *Early Warning Dashboard* – establish a data warehouse of business intelligence from multiple data sources that will alert DOL and stakeholders to distressed businesses;
2. *Lay-Off Aversion* – offer a variety of programs and services through DOL and other stakeholders (e.g., identification of possible training or cost savings opportunities) to prevent layoffs in order to keep a skilled workforce intact for when conditions improve;
3. *Employee Stock Ownership Program (ESOP)* – provide a tool in assisting distressed businesses or those facing problems associated with succession planning; and

4. *Turn-Around Assistance* – offer services, such as expert consulting, to help businesses experiencing distress identify opportunities for becoming more competitive.

The Department of Labor has also increased its rapid response capacity to assist those businesses that are closing or laying off a substantial number of workers. This increased capacity will expedite the delivery of re-employment services to impacted workers and also give an opportunity to work with the businesses to assess if there is additional resources or services that could prevent closing or layoff.

In addition, DOL has mapped out a partial wage subsidy payment plan. If, at a later date, funds become available through additional Federal stimulus programs or other efforts to reduce unemployment levels, the SBTF would support DOL's further development of this initiative as an additional component of an aggressive layoff aversion strategy.

The proposed plan allows for payments to be used as an incentive for qualified businesses to retain workers at risk of being laid off, or to rehire employees that were recently laid off as a result of the economic downturn. The focus would be on small- and medium-sized businesses, and priority would be given to workers with earnings at or above the occupational average within their industry. Occupations that offer the highest potential for increased revenues and are most likely to contribute to the long-term success and viability of the company will also be targeted. The benefit to the business is retaining a skilled workforce, prepared for the economic recovery.

Besides federal support, a portion of the Unemployment Insurance (UI) tax currently collected from employers could be considered as a potential revenue stream to support this initiative. There are several reasons for this recommendation: First, a successful wage subsidy program will diminish the strain on the UI Trust Fund and could actually increase UI Trust Fund resources because employees will continue to receive their full-time wages and the UI payroll tax will

continue to be collected. Second, payouts for unemployment benefits would be reduced and third, workers will remain on the job, thereby reducing their need to turn to public assistance.

It should be noted that identifying non-State resources would be a critical component of this program given the State's current fiscal circumstances and the costs of wage subsidy programs. For example, a reasonable program serving 5,000 to 10,000 workers would cost approximately \$50 million to \$100 million, which currently would be prohibitively expensive for the State.

F. Increase On-the-Job Training Opportunities.

DOL's On-the-Job Training (OJT) program enables employers to use their own system and expertise to teach trainees the skills necessary for successful permanent employment within their companies, while cutting training costs by as much as 50%. OJT matches employers with qualified individuals that need specialized training. In the OJT process an employer recruits and hires a worker or workers and provides competency-based training in exchange for government reimbursement of up to 50% of the starting wage for the time needed by the trainee to master the required occupational skill sets – usually no longer than six months. This approach has been successful in previous years: from July 1, 2008 through June 30, 2009, over 1,400 individuals were enrolled in New York's OJT Program.

However, while some areas of the State have made excellent use of OJT as an employment and training tool, it is under-utilized in other areas. The SBTF recommends that DOL use its federal Workforce Investment Act funding to leverage greater local participation throughout the State by providing matching support on a competitive basis, with a release date of early 2010. The goal would be to establish a two-tier OJT program that encourages small businesses to increase hiring, with additional incentive for the hiring of the long-term unemployed.

G. Improve Opportunities for Youth in Small Business

Given the high number of small businesses in New York and their importance to both employment and economic development, there are surprisingly few programs that prepare youth for entrepreneurship or small business employment. The State is encouraged to find more and better ways to link small businesses to youth employment, and to work with youth to develop business and entrepreneurial skills. This effort should include, among other things, enhancing summer youth programs to include developing job readiness skills and pre-apprenticeship programs; continuing support of internships/apprenticeships and school-to career programs such as job shadowing, mentoring, and career exploration for secondary students and drop-outs; encouraging entrepreneurial training and internships for youth ages 14 – 24. Based on research which highlights the gap between workplace literacy requirements (written, numeracy, and technical) and current workforce literacy capability the committee stressed the importance of including literacy skills as well as job readiness as components in these programs.

There are both economic and intrinsic benefits that accrue to small businesses that incorporate youth into their payroll and training strategies, including reduced payroll costs while apprentices learn technical skills; access to tax credits if apprentices meet specific criteria or if the business is located in specific areas; reduced turnover; and improved work quality. School-to-Work programs, apprenticeships, and internships benefit youth by helping them to make more stable, longer term career choices, increasing work readiness skills, and providing a critical source of income. In New York, over 23,000 young people were involved in 2009 Summer Employment programs as a result of increased Federal funding.

One example of a successful program is the Hillside Work-Scholarship Connection, which provides social and academic support services with a work component for low-income middle and high school students. The program builds job readiness skills; aligns academic attainment with work

experience; and engages families, schools, and employers with an approach that has demonstrated positive results in Upstate New York. High school graduation rates increased. 86% of participants improved their grade point average, over 75% went on to post-secondary education, and an average of 80% of all graduates report being employed post graduation ([www.cgr.org](http://www.cgr.org)). Programs like Hillside Work-Scholarship Connection have demonstrated returns well in excess of costs in terms of earned income and savings in government support programs (e.g., Medicaid, Public Assistance, Food Stamps, and incarceration expenses).

The SBTF also supports the implementation of a Regional Jobs and Internship portal focused on post-secondary students and young professional job-seekers. This portal would leverage the efforts of the Young Leaders Congress and support small businesses by providing members of the business community with opportunities to market local job openings, develop internship opportunities, and provide a broader look at job opportunities and growth in the region. This initiative would build relationships that increase awareness of the number of jobs, encourages entrepreneurship, and helps to publicize the kinds of skills required by small businesses.

Finally, the SBTF urges DOL to set aside a portion of its WIA resources to leverage local funding of creative youth/small business projects.

**Recommendation 4: Improve Access to, and Awareness of, Available State Resources**

A. Develop a Directory of Small Business Programs

Although there are many state services available to small businesses, complaints about the lack of support are frequently a result of poor communication. Whether it is information about financing opportunities, workforce services, ombudsman support, or technical assistance, better marketing of services should be ongoing. To that end, Governor Paterson's Small Business Project Team began developing a directory of New York State small business programs immediately following the focus groups in June 2009. This directory was launched in mid-September and has

received unprecedented support from the small business community, generating over 400,000 hits on the ESD website within the first six weeks of launch. Each SBTF committee was able to review this tool and make suggestions that will be incorporated in subsequent versions, including the development of a Spanish language version, links to third-party resources, and the incorporation of “how-to manuals” either as part of the Directory or as part of a redesigned small business website. (See Recommendation 4D, below).

The Spanish language translation is underway and will be available in early December.

B. Coordinate the Directory with Various Existing Websites

There is information on third-party resources (government and private) on a number of state websites, including NY Loves Small Business, NY Loves Business, NYS Banking Department, and others. However, some information is out of date, incomplete, duplicative, or not centralized. Therefore, this information should be catalogued and included on a redesigned NY Loves Small Business website. This website would include both information on third-party programs, as well as tools and templates, such as business plan outlines or examples. The State should also promote ESD’s toll-free number (800-STATE-NY), as well as enhance the ‘Contact Us’ section of the small business website to include more detail on accessing business services. The next version of the Directory of Small Business Programs could then be expanded to include summaries and links to that information and the two resources would work in tandem.

The SBTF recommends a major redesign and re-organization of the ESD website. This redesign would be necessary to centralize and improve access to information, and to maintain a well-designed library of resources and tools that will be linked to the Directory of Small Business Programs.

Furthermore, the SBTF believes that the various workforce programs available for small businesses from the State Department of Labor are not marketed well enough, and that ESD should

work with DOL to improve small businesses' awareness of the State's existing workforce programs. This could be achieved through a number of methods, including referencing references to DOL's workforce programs on the small business website and including DOL participations and/or information about workforce programs in the enhanced staff training sessions recommended above (see Recommendation 3A).

C. Create "How-To" Manuals

New York should compile a series of "How-To" manuals organized by sector, which would help businesses develop business models, improve operations, access targeted industry technical assistance, navigate sector-specific permitting and licensing, among other things. The compilation would include (1) listings of websites and organizations where small businesses could get sector-specific resources and tools such as articles, sector startup guides, and best practice information and (2) actual manuals, checklists, and tools that would help businesses in a particular sector create a business plan, develop a marketing strategy, or navigate government requirements. Examples of existing "How-To" information include the Food Manufacturers Toolkit, the Convenience Store Getting Started Guide, and the Restaurant Owners Manual. Ultimately, this effort should be expanded to include resources from the 10-12 largest industry sectors for small businesses.

These listings should be included in any online resources targeted at small businesses, including an expanded Directory and re-designed small business website.

D. Update and Enhance the Small Business Alternative Lending Directory.

In 2006, the NYS Banking Department created a Small Business Alternative Lending Directory on its website. However, the Lending Directory was never aggressively marketed or actively maintained, and it is now out-of-date.

The SBTf recommends that the Lending Directory be transferred from the Banking Department website to the small business website and that ESD update and enhance the Lending

Directory to include current information about public and nonprofit lending programs throughout the State, such as descriptions of lending programs in terms of area served, size of loans, eligibility requirements, additional available services, and contact information. It should also be searchable by geographic region, amount of financing requested, and development stage (pre-startup, startup, or existing business). Small business lenders who are not initially involved should be given the opportunity to provide their information and be included in the Directory at a later date. And ESD staff should maintain and update the Lending Directory by contacting lenders that are included in the Directory annually to ensure that information is current.

The target date for completion and dissemination of the Lending Directory coincides with the completion of this Report at the end of November. It will be aggressively marketed to small businesses and small business service providers using an approach similar to that used to market the Directory of Small Business Programs. This approach utilizes partnerships with private sector intermediaries like chambers of commerce, trade associations, and advocacy groups.

#### **IV. IMPLEMENTATION**

Some of the recommendations are already in the process of design and implementation planning, some can simply be ordered by the Governor, and some would require legislative action. Regardless, in order to maintain momentum, the Task Force believes that mechanisms for follow-through should be in place.

First and foremost, the Small Business Advisory Board should be re-constituted and tasked with ensuring implementation of the Task Force recommendations and developing other policy recommendations to strengthen the State's support of small businesses. The Governor has already nominated members of the advisory board, who await confirmation by the Senate. Once confirmed, the advisory board will provide a continued forum for the small business community to identify challenges and opportunities and to help guide State initiatives.

Second, the Interagency Small Business Work Group (Recommendation 2A) should serve as the primary mechanism for coordinating follow-up by state agencies.

Finally, a number of important topics were discussed by the Task Force committees but were not included as top priorities in this report, often because they were not considered to have sufficient universality to be statewide initiatives. These issues tended to have strategic importance to a particular region or community (such as rural or distressed urban areas). Such issues included the need for better transportation or targeted technical assistance to certain populations. Once again, the Interagency Working Group should take a leadership role in putting these issues on the State's agenda.

## **V. CONCLUSION**

The goal of the SBTF was to develop recommendations that could realistically be implemented given the serious fiscal constraints facing New York State today. The SBTF attempted to lower costs for small businesses by adopting recommendations consistent with the Governor's agenda to create a more efficient and effective State government. For example, creating voluntary compliance strategies, introducing health care reforms, supporting on-the-job training initiatives and streamlining application processes would lower costs for small business and increase taxable profits.

In addition, the SBTF attempted to draw on existing state resources wherever possible and eschewed proposals that would have created new State bureaucracies or unnecessary government expansion. More than half of the specific initiatives proposed by the SBTF have negligible or no cost implications for New York State. These proposals use existing resources or repurposed federal funds. And while some of the SBTF's recommendations – such as the revolving loan fund, seed capital fund, and support for technology commercialization – would require the reallocation of some State resources, these recommendations all focus on using existing resources to address the needs of small businesses as efficiently as possible. Moreover, studies of similar programs in other states have

shown that in the long run, these initial allocations are more than paid for by the economic activity they generate.

Given the magnitude of the crisis facing small businesses in New York today, the State must invest in small business development by increasing access to capital; reduce red tape and regulatory burdens; provide new tools for business growth; and communicate more effectively with small businesses. Together, these initiatives will enhance opportunities for small business development and renewed prosperity in the future.

## **Appendix A**

### **Summary of Findings of Small Business Focus Groups**

**SMALL BUSINESS FOCUS GROUPS  
SUMMARY OF FINDINGS  
2009**



State of New York  
David A. Paterson  
GOVERNOR



Dennis Mullen  
President & CEO

## **Background**

Since taking office, Governor Paterson has overseen the expansion of New York State's efforts to promote the development of small businesses through Empire State Development ("ESD"). These efforts have included:

- **A \$2.3 million increase in funding to Community Development Financial Institutions** – ESD provides grants to federally designated CDFIs to provide technical assistance and make micro-loans to small businesses and MWBEs. In March 2009, ESD more than doubled funding for the program to \$4 million: \$2 million for loans to MWBEs and an additional \$2 million for loans to small businesses.
- **The creation of five new Entrepreneurial Assistance Program Centers** – The EAP provides grants to local organizations to provide a 60-hour entrepreneurship training course supplemented by intensive technical assistance to help new entrepreneurs complete business plans and develop a viable business. In October 2008, new Centers were opened in Buffalo, Harlem, Syracuse, Washington Heights, and Westchester, bringing the total number of EAP Centers to 24 statewide.
- **Expanded eligibility for the Linked Deposit Program** – The LDP provides an interest rate reduction of up to 3% for eligible businesses that obtain commercial loans from participating financial institutions. In March 2009, ESD raised the limit on multiple Linked Deposit projects from two to three open loans and expanded the cap on concurrently open projects from \$500,000 to \$1 million.
- **Free access to information on state contract and procurement opportunities** – State contract and procurement opportunities are published in the Contract Reporter. Access to this information allows companies to bid for these opportunities. The Contract Reporter is now available free to businesses with ten or fewer employees, EAP Centers, libraries, and Small Business Development Centers.
- **A grant to provide training to small businesses on how to obtain private and government contracts** – In March 2009, ESD provided funding to the Regional Alliance of Small Contractors to expand its offerings and train small minority and women contracting businesses, and increase their access to State contracts by providing them with the tools to enable them to more successfully bid on such contracts.

To expand on these efforts, members of the Governor's staff and ESD conducted focus groups in every region of New York State to discuss the issues small businesses face in today's economic climate and to record suggestions on additional steps New York State can take to promote the development of small businesses. Participants in the focus groups included small business owners and representatives from technical assistance providers, financial institutions, local economic development entities, chambers of commerce, and local governments. A full list of participants is attached as Appendix A.

While each regional focus group provided unique perspectives and insights, there was notable consistency with regard to the most significant issues facing small businesses across New York State: (1) the business climate (i.e., taxes and regulation); (2) access to financial capital; (3) technical assistance; and (4) workforce.

## **Major Issues Facing Small Businesses in New York State**

### ***Business Climate***

Participants in every region identified the costs of doing business in New York as a barrier to small business growth. Many respondents cited taxation and the regulatory environment as “very significant” barriers to starting and growing a small business. Participants identified health care costs, energy costs, taxes, fees, and paperwork as contributing to a perception of an unfavorable business climate.<sup>1</sup>

Among the specific issues raised as obstacles to small business development were:

- Uncertainty over the Empire Zones program – The recently enacted reforms and potential future reforms of the Empire Zones program have created unease and uncertainty in the business community.
- Proposal to require companies receiving IDA benefits to pay “prevailing wage” – Particularly in upstate areas, participants felt that many small businesses would find competition difficult and the effectiveness of the Industrial Development Authority would be limited if businesses were required to comply with the prevailing wage requirements in the Hoyt Bill.
- High property taxes – Some participants cited this issue as impacting small business both directly and indirectly by increasing costs and making employee recruitment more difficult.
- Bureaucracy – Participants identified several areas in which they felt the slow processing of applications (for licensing, grant and loan requests, etc.) and the state’s multiple layers of government inhibited business development.

### ***Access to Financial Capital***

After business climate, difficulty accessing financial capital was the issue most often cited as having a “very significant” impact on small businesses. Several specific categories of need were identified, including:

1. programs to refinance existing high interest (often credit card) debt;
2. programs to provide operating capital;
3. programs to provide capital to early stage businesses;
4. programs to make available loans ranging from \$50,000 to \$250,000, which are too large for many CDFIs and too small for many banks;
5. better marketing of, and underwriting for, some existing small business loan programs; and

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<sup>1</sup> See generally Unshackle Upstate: A Growth Strategy for a Stagnant Economy (Feb. 9, 2007) available at <<<http://www.unshackleupstate.com/learn/UU-Full-Report-2-9-07.pdf>>>; Taxpayers Network, 50 State Comparisons (2008) available at <<http://www.taxpayersnetwork.org>>.

6. greater diversity in the criteria used by government to evaluate financial assistance proposals.

### ***Technical Assistance***

Focus group participants identified three issues with regard to technical assistance for small businesses:

1. Many businesses were not aware of existing technical assistance programs, such as the Entrepreneurial Assistance Program, Small Business Development Centers, or SCORE. Participants suggested the need for better coordination and marketing of these programs.
2. Some areas of the state are poorly served because TA centers are too far away (over an hour to get to).
3. Additional TA is needed for high-tech small businesses, be it through Regional Technology Development Centers, incubators, or other resources specifically targeted at technology companies.

### ***Workforce***

Although fewer participants felt workforce was a major obstacle to small business development, more than two thirds thought it had some significance.

During the focus group discussions, the major issues concerning workforce that emerged were:

1. The jobs for which workers are being prepared are not adequately related to available jobs. High-skilled manufacturers and agricultural businesses, in particular, noted difficulty attracting an adequate number of employees at affordable wages.
2. Many businesses found it difficult to access existing employment and training programs.

### **Other Issues**

Finally, representatives from the North Country Region identified two additional needs that were not raised in the other focus groups:

1. infrastructure development through investments in public transportation and broadband internet; and
2. specific economic development programs that account for the unique features of the Adirondack State Park, including a dispersed population and strict environmental regulations, which can significantly increase development costs.

### **Conclusion**

By identifying the most significant issues facing small businesses and providing initial suggestions for solutions, the information gathered at the small business regional focus groups provides an excellent foundation for the next phase of Governor Paterson's Small Business Initiative: the development of specific policies and program aimed at promoting the development of small businesses in New York State.

## **Appendix A – Regional Focus Group Participants**

### **Finger Lakes**

Mr. Jan Pisanczyn  
Brockport SBDC  
Executive Director

Mr. Matt Hurlbutt  
Greater Rochester Enterprise  
Managing Director

Mr. Jim Senall  
High Tech Rochester  
President

Mr. Emilio Serrano  
Ibero Investors  
President

Ms. Jonna Martin  
National Association of Women's Business  
President

Ms. Dana Burnett  
Pathstone Enterprise Center, Inc.  
Senior Director of Economic Development

Mr. Dave Balestiere  
City of Rochester Economic Development Office  
Manager of Industrial Development

Mr. Charles Cook  
Liberty Pumps  
CEO

Mr. Fred Gaffney  
Seneca County Chamber of Commerce  
Executive Director

Mr. Mike Mandina  
Optimax Systems  
President

Mr. Phil Pecora  
Genesee Regional Bank  
President

Mr. Chris Weist  
Small Business Council Rochester Business  
Alliance  
Vice President of Public Policy & Advocacy

Mr. Mike Heftka  
Wyoming County IDA  
President

Mr. Steve Isaacs  
The Technology Farm  
President

### **Mid-Hudson**

Ms. Carol Smith  
Orange County Chamber of Commerce  
Vice President Government Initiatives & Special  
Projects

Mr. Enrique (Rob) Lunski  
Gateway to Entrepreneurial Tomorrows Inc.  
(GET)  
President

Ms. Margaret Edwards  
MCR Business Solutions (GET)  
CEO

Mr. Tim McCausland  
Sullivan County Partnership  
President & CEO

Mr. Mark Rothenberg  
SCORE  
Director

Mr. Al Samuels  
Rockland Business Association  
President/CEO

Mr. Ron Hicks  
Rockland Economic Development Corporation  
President & CEO

Ms. Anne Janiak  
Women's Enterprise Development Center Inc.  
Executive Director

**Long Island**

Ms. Evette Beckett-Tuggle  
Nassau County Office of Economic Development  
Executive Director, Office of Economic  
Development

Ms. Marianne Garvin  
Long Island Community Development  
Corporation  
CEO

Mr. Trevor Davis  
Long Island Community Development  
Corporation  
Senior Vice President

Ms. Judith Tyne  
Suffolk Community College  
Center for Entrepreneurship & Community  
Development

Ms. Daphne Gordon  
EAP Hofstra University & Suffolk  
Project Administrator, Entrepreneurial Assistant  
Program

Mr. Mark Grossman  
New York State Department of Labor  
Commissioner's Long Island Regional  
Representative

Mr. Michael Crowell  
New York State Department of Labor  
Senior Economist

Mr. Gary Huth  
New York State Department of Labor  
Principal Economist for LI

Mr. Raj Mehta  
Industry-Infosys International Inc.  
CEO, Chairman

Ms. Roz Goldmacher  
Long Island Development Corporation  
President & CEO

Ms. Lisa Broughton  
Suffolk County Office of Economic Development  
Economic Development/Worforce Housing

Ms. Gina Hill Slater Parker  
Black Women Enterprises  
President

Mr. Peter Goldsmith  
LISTNET  
Executive Director

Mr. Joseph Scaduto  
New York State Center for Biotechnology  
Assistant Director of Business Development

**Southern Tier**

Mr. Jim Cunningham  
AM&T  
Principal Consultant

Mr. John Hayek  
Binghamton University  
Executive Director

Dr. Eugene Krentsel  
Binghamton University State University  
of New York  
Assistant Vice President, Technology Transfer  
and Innovation Partnerships

Ms. Sylvia Kerber  
Upstate Office Furniture/Warehouse  
Vice President

Mr. Dave Pagnani  
Java Joe's Roasting Company  
Owner

Ms. Teresa Saraceno  
Tioga County Economic Development & Planning  
Department  
Empire Zone Coordinator

Mr. Michael Stramm  
Tompkins County Area Development, Inc.  
President

Mr. Tom Gray  
Broome County Industrial Development Agency  
Director of Business Development & Loan Funds

Ms. Merry Harris  
Binghamton City Hall  
Director of Economic Development

Ms. Jennifer Tavares  
Chenango County Chamber of Commerce  
Economic Development & Business Information

Ms. Ginny Robert  
Broome Community College  
Director, Minority and Women Owned Business  
Development Center

Mr. Bill Ritter  
SCORE  
Chair

Ms. Diane Lantz  
REDEC, Regional Economic Development and  
Energy Corporation of the Southern Tier Central  
Executive Director

Mr. Stephen Herz  
Broome County, District 9  
Legislative District Rep

**New York City**

Ms. Jennifer Spaziano  
ACCION USA  
CFO

Ms. Sarah Garretson  
Industrial Technology Assistance Corporation  
President

Mr. Adam Friedman  
New York Industrial Retention Network  
Executive Director

Ms. Maria Gotsch  
New York City Investment Fund  
CEO

Mr. Donald Giampetro  
NYC Small Business Services  
Assistant Commissioner for Business Incentives

Ms. Alexandra Simon  
NYC Small Business Services  
Senior Business Analyst, Business Incentives  
Unit

Mr. Steven Cohen  
Seedco Financial Services (CDFI)  
Senior Vice President

Mr. Christopher Kui  
Renaissance Economic Development  
Corporation/Asian Americans for Equality  
Executive Director

Ms. Hope Knight  
Upper Manhattan Empowerment Zone  
Development Corporation  
Chief Operating Officer

Mr. Richard Werber  
Greater Jamaica Local Development Corporation  
Director Financial & Business Services

Mr. Carl Hum  
Brooklyn Chamber of Commerce  
President & CEO

Mr. Gil Cygler  
Brooklyn Chamber of Commerce  
Board Member

Mr. Lenny Caro  
Bronx Chamber of Commerce  
President

Mr. Joe Ithier  
New York City Hispanic Chamber of Commerce

Mr. Curtis Archer  
Harlem Community Development Corporation  
President

Mr. Jay Hershenson  
City University of New York  
Senior Vice Chancellor for University Relations  
and Secretary of the Board of Trustees

Ms. Joyce Moy  
Asian American/Asian Research Institute at  
CUNY  
Executive Director

**Central**

Ms. Jennifer Haines  
City of Auburn Economic Development Agency  
Planning and Economic Development Director  
Memorial City Hall, OPED

Mr. Michael Kriever  
Madison Filter  
Director of Finance

Mr. Vincent Lobdell  
Healthway  
President and CEO

Mr. Brian Pincelli  
City of Syracuse  
Brownfield Coordinator

Mr. Seth Mulligan  
Metropolitan Development Agency  
Executive Director

Mr. Mitchell A. Patterson Jr.  
Metropolitan Development Agency  
Economic Developer Coordinator

Ms. Karen Niday  
Cortland County Business Development  
Corporation/Industrial Development Agency  
Empire Zone Director/Chief Financial Officer

Mr. Robert Trachtenberg  
Central New York Technology Development  
Organization (CNYTDO)  
President

Mr. David Dano  
Operation Oswego County  
Business Finance Director

Mr. Benjamin Sio  
Greater Syracuse Chamber of Commerce  
Economic Development Specialist

Mr. Kim Hall  
Onondaga County Economic Development  
Empire Zone Coordinator

Ms. Delores Caruso  
New York State Department of Labor  
Regional Representative

**Mohawk Valley**

Mr. Jim Castilla  
Mohawk Valley Edge  
Vice President Economic Development

Mr. Michael Reese  
Fulton County Economic Development  
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Chief Operating Officer

Mr. Sam Russo  
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Senior Business Advisor

Mr. John Scarano  
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Mr. Stephen Smith  
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Mr. Michael Krumme  
Black River Systems  
Vice President

Mr. Kenneth Rose  
Montgomery Co. Industrial Development Agency  
Director

Mr. Jeffrey R. Williams  
New York Farm Bureau, Inc.  
Deputy Director of Public Policy

Ms. Shawna Papale  
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Mr. Frank Elias  
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Mr. Frederick Quist  
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Zone Coordinator

Mr. Richard Griffith  
Sturges Manufacturing Company, Inc.  
President

Mr. William Guglielmo  
Rome Chamber of Commerce  
President

Mr. Dan Hudon  
Hud-son Forest Equipment  
Co-Founder

Mr. Sean Jordan  
Schoharie County Planning & Development  
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Senior Planner

Mr. Paul MacEnroe  
Mohawk Valley Applied Technology Corp.  
President

Mr. David Mallen  
Small Business Development Center  
Director

Ms. Carolyn Lewis  
Otsego County Economic Development  
Economic Developer

Ms. Jodie Rutt  
Schoharie Co. Chamber of Commerce  
Executive Director

Mr. Jody Zakrevsky  
Schoharie Co. Planning & Development Agency  
Economic Developer

Mr. Eric Constance  
NYS Small Business Development Center  
Regional Director

Mr. Don Rutherford  
Watertown Local Development Corporation  
Executive Director

Mr. Tom Plastino  
CITEC, Inc.  
Executive Director

Mr. Ron Charette  
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Mr. Karen Delmonico  
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President & CEO

Mr. Don Alexander  
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Executive Director

**North County - Watertown**

Ms. Leigh Rodriguez  
St. Lawrence County Office of Economic  
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Business Services Coordinator

Mr. Gordon McLennan  
Newton Falls Fine Paper  
Governor Liaison & Project Director

Mr. Don Schnackel  
Newton Falls Fine Paper  
VP of Finance & Administration

Ms. Ellen Nesbitt  
St. Lawrence Chamber of Commerce  
Associate Director

Mr. James Wright  
Development Authority of the North Country  
Dulles State Office Building  
Executive Director

Mr. George Anderson  
Current Applications  
Senior Sales Executive

Mr. Jim Griffith  
Timeless Frames  
Director of Manufacturing-Custom Framing

Mr. Ned Cole  
Lewis County IDA  
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Ms. Kimberly DesChamp  
City of Ogdensburg  
Economic Development Program Manager

Mr. Douglas W. Shelmidine  
Sheland Farms  
Co-owner

Mr. Jay Matteson  
Jefferson County Agricultural Development  
Jefferson County Agricultural Coordinator

**Western**

Ms. Melinda Rath Sanderson  
Women's Business Center Canisius College  
Executive Director

Mr. Jerry Turcotte  
Microbiz Buffalo  
Executive Director

Mr. Benjamin Rand  
Insyte Consulting  
President

Mr. Duane Madyan  
Card Service International/Fillmore Business  
District Association  
Business Owner/President

Mr. Gary Posluszny  
KDM Die Company  
President

Mr. Rich Alexander  
Double A Willow

Mr. Woodrow Heslip II  
SCORE  
Counselor

Mr. Charles Kalthoff  
Accord Corporation  
Executive Director

Ms. Gretchen Hanchett  
Accord Corporation  
Director  
Business & Community Development Services

Mr. Jeffrey Corcoran  
SUNY Fredonia  
Director/High-Tech Incubator

Mr. Rick Gorco  
Niagara Small Business Development Center,  
Niagara County Community College  
Director

Ms. Deanna Brennan  
Niagara USA Chamber  
President & CEO

**Capital**

Ms. Janet Tanguay  
Albany Colonie Chamber of Commerce  
EAP Director

Ms. Amy Johnson  
Capstone, Inc.  
President

Mr. Bill Brigham  
Director  
Harriman Business Center  
Small Business Development Center

Mr. Todd Erling  
Hudson Valley AgriBusiness  
Deputy Director

Mr. Jeff Lawrence  
Center for Economic Growth  
Vice President

Mr. Todd Shimkus  
Adirondack Regional Chambers of Commerce  
President

Mr. Bob Radliff  
Capital District Community Loan Fund  
Executive Director

Mr. Eugene Schuler  
Linc-The Lighting Cultivator  
Executive Director

Mr. Peter Pritchard  
Watervliet Innovation Center  
Program Director, Venture Programs

Mr. Mark B. Galough  
Glens Falls National Bank & Trust Co.  
VP, Corporate Banking

Mr. Gary Balfour  
Solid Sealing Technology Inc.  
President/CEN Director

Mr. David Bobrick  
Blasch Precision Ceramics  
President

Mr. Les Lak  
Blasch Precision Ceramics  
VP of Operations/CEN Directors

**North County - Plattsburgh**

Mr. J.R. Risley  
Adirondack Economic Development Corp.  
Business Development Director

Mr. Nicholas Curtis  
ComLinks  
Director of Economic Development

Mr. Mike Lemza  
Essex Box & Pallet  
President

Mr. Rick Leibowitz  
North Country Small Business Development  
Regional Director

Mr. Herb Carpenter  
The NorthEast Group  
Chairman

Mr. Sidney "Jay" Ward, III  
Ward Lumber Co. Inc.  
President

Ms. Carol Calabrese  
Essex County Industrial Development Agency  
Co-Executive Director

Mr. Garry Douglas  
Plattsburgh North Country Chamber of  
Commerce  
President

Mr. William McClay  
Commonwealth Home Fashions  
General Manager

Mr. Cliff Davidson  
NYS DOL  
Regional Director

Ms. Adore Flynn Kurtz  
The Development Corporation - Clinton Co  
Executive Director

## **Appendix B**

### **Small Business Task Force Committee Reports**

## GOVERNMENT REGULATIONS COMMITTEE REPORT

### Membership

**Tony Giardina,**

Executive Chamber, Committee Co-Chair

**Amy Schoch**

Empire State Development, Committee Co-Chair

**Daniel Boyle**

State Liquor Authority

**Kermitt Brooks**

NYS Insurance Department

**Steve Carbone**

NYS Workers' Compensation Board

**Carla Chiaro**

Office of General Services

**Lorraine Cortez-Vasquez**

Department of State

**Richard Daines**

NYS Department of Health

**John Egan**

Office of General Services

**Diana Ehrlich**

National Federation of Independent Business

**Mike Elmendorf**

National Federation of Independent Business

**Terri Gerstein**

NYS Department of Labor

**Neil Gilberg**

NYS Workers' Compensation Board

**Thomas Gleason**

NYS Insurance Fund

**Pete Grannis**

NYS Department of Environmental Conservation

**Wally Hart**

Chamber Alliance of New York State

**Bruce Herman**

NYS Department of Labor

**Patrick Hooker**

Department of Agriculture & Markets

**Lynda Ireland**

NY & NJ Minority Supplier Development Council

**Kerry Kirwan**

NYS Insurance Fund

**Lora LeFebvre**

NYS Department of Health

**Steve McGrattan**

Department of Agriculture & Markets

**Mike Moriarty**

NYS Insurance Department

**Daniel Murphy**

NYS Hospitality & Tourism Association

**Rob Plattner**

NYS Department of Taxation & Finance

**Jim Roberts**

NYSTAR

**Dan Shapiro**  
Department of State

**Donald Siegel**  
University at Albany School of Business

**Amelia Stern**  
Office of Regulatory Reform

**Julia Suarez**  
New York State Farm Bureau

**Maryann Tucker**  
NYS Department of Taxation & Finance

**Kevin Wells**  
NY & NJ Minority Supplier Development  
Council

**Scott Wexler**  
Empire State Restaurant & Tavern  
Association

**Jared Wilner**  
NYS Insurance Department

**Jamie Woodward**  
NYS Department of Taxation & Finance

### **Overview**

The Government Regulations Committee convened representatives from the small business community and the State agencies that regulate and assist various aspects of business enterprise. The committee objective was to consider how the process and substance of state regulation may enhance or impede the growth and competitiveness of small business, and to recommend actions to improve or ameliorate the impacts of State regulation on small business.

Compliance with regulation imposes direct costs to business through fees, taxes and assessments, as well as mandated expenditures for equipment, infrastructure and benefits. It also imposes indirect costs associated with the staff required to research and file permit and license applications, and monitor and report regulated activities.

The cost to obtain health insurance coverage appeared to be the most burdensome of the direct costs impacting the competitiveness of small business. The indirect costs of compliance are compounded by what businesses perceive to be the sometimes conflicting, overlapping and duplicative regulations and permits that they confront without clear resolution of the conflict.

The committee met twice in July to raise, refine and rank the following issues for consideration. The first meeting began with a presentation by Amy Stern, Acting Director of the Governor's Office for Regulatory Reform, on their work. As discussion proceeded, some issues were grouped as related concerns, and others were recognized by the committee to be lower priorities. Committee discussion focused on the short- and long-term feasibility of implementing the following recommendations and their relative impact on the small business community.

Following thorough discussion, the committee members ranked the issues in order of highest priority to pursue as recommendations to the Task Force. The four highest ranking recommendations which are discussed in the report are:

- Enhance on-line portals to simplify the process of filing permits and licenses;
- Develop uniform definitions across state agencies for 'employee' and 'independent contractor';
- Enhance access to affordable health insurance coverage for small business;
- Develop educational approaches to encourage voluntary compliance that reduce the need for punitive enforcement of regulations.

## **Discussion Topics**

### ***1) Develop uniform definitions across all regulating State agencies for ‘independent contractor’ v ‘employee’ and for ‘small business’ v ‘farm’.***

Committee members ranked this as the third highest priority among the issues raised and it advanced to the full Task Force as a recommendation discussed in the report. Small businesses noted that the various agencies regulating workforce/employment issues (which include Tax & Finance, Labor and Workers’ Compensation) use inconsistent definitions for ‘independent contractors’ and ‘employees’. A small business that defines its workers as ‘independent contractors’ could be in compliance with one agency while out of compliance and penalized by another. Business members asked the State to develop consistent definitions that apply across the board to all agencies, and to provide public education to business through widely available guidance documents. They also requested that the business and economic development community be included in the deliberations that establish uniform definitions.

The committee recommendation noted the existence of the Employee Mis-classification Task Force and recommended that its authority be expanded to address the creation of uniform definitions through draft legislation and guidance documents; further that the Mis-classification Task Force membership be expanded to include representation from the business community and the impacted agencies including economic development. The committee also recommended that the Task Force develop industry-specific approaches where needed, such as for the construction industry, recognizing that the same across-the-board definition will not work equally well for all industries.

The committee also discussed regulatory conflicts between the definitions of ‘small business’ and ‘farm’. Committee staff worked with Agriculture & Markets staff to further identify the core conflict. Increasingly growers are establishing on-farm retail operations to attract customers and expand their market opportunities. On-farm retail operations may conflict with local zoning that segregates ‘commercial’ enterprise from ‘agricultural land’ areas. The retail operations need signage to attract customers, which may conflict with regulations managed by the Department of Transportation to protect the quality of rural and scenic roadways. As instances of such conflicts derive from local and regionally specific land-use designations, the committee recommends that the small business ombudsman structure (described in the technical assistance sections of this report) adopt this issue and work with the farm community to resolve specific instances of conflict.

### ***2) Provide a centralized on-line permit application system that enables small businesses to file and track their permits in a user-friendly format.***

Committee members ranked this as the highest priority among the issues raised and it advanced to the full Task Force as a recommendation, discussed in the report. Generally, small businesses noted that an on-line portal is needed so businesses can easily link to all agencies. The State needs to centralize its programs and licenses into a one-stop process to make it easier to access information. It was noted that OFT is also working with the Division of Budget (DOB) to create a unified e-licensing system that will develop a simple application for multiple licenses and an integrated database to retain basic information among shared agencies. Agencies participating in the initial phase of the project include GORR, Ag & Markets, Department of State, State Education and the State Liquor Authority. There are a number of “one stop shops” in other states, including: Texas, Florida, and Alabama. In addition, New York City has created “NYC Business Express,” a

business e-licensing system. On a shorter term basis, one committee member suggested that ESD and OPAL websites could be combined.

***3) Reduce redundant effort by establishing an on-line, one-stop portal with individual user accounts that retain basic information so that businesses are not re-inputting data each time they file a license or permit.***

Similar in concept to recommendation two above, committee members ranked this as the second highest priority among the issues raised, and it was combined with recommendation number two and advanced to the full Task Force as a recommendation in the report. In addition to the on-line access recommended above, businesses also noted that they are regulated by multiple agencies, often requiring duplicative inspections and reports. Small businesses reported that filing multiple and recurring forms for permits and licenses is very time-consuming. They asked for an e-license system with user accounts that retain basic information. It was recommended that, where possible, State agencies should combine inspections and reporting requirements.

It was noted that the Office for Technology (OFT) recently initiated the Enterprise Identity Access Management System that creates an electronic interface that is available for use by all state agencies, serving both businesses and individuals. Each user creates a unique account and password through which all other electronic registrations can be accessed. The Access Management System will not retain account information, but it will create a single-access portal to all agencies and services. This is designed to streamline the application process within an agency.

It was suggested that one way to approach redundancy would be to identify the key regulatory areas, bring the agencies together, and combine regulations. To reduce the number of permits several agencies could get together and consolidate their forms. One impediment to reducing the number of permits is many are statutorily required.

GORR currently tries to eliminate duplication when it is reviewing regulations but staff is somewhat limited. GORR asks agencies to conduct outreach to affected parties. Business representatives pointed out that some state incentives are so overloaded with paperwork that small businesses won't bother to apply. We need to use the information that is already out there, rather than always asking for more. Suggestions included:

- Streamlining reporting requirements by combining report information, i.e. developing a zero-based reporting system
- Starting with a few agencies cataloging their reports
- Eliminating reports that are not statutory – unless they could be justified

Committee members also noted the need to develop a special regulatory environment for home-based and micro entrepreneurs to help them interface more effectively with regulatory and reporting requirements. For example:

- Husband/wife business with no other employees can get a waiver from disability insurance for the spousal employee.
- Create groups for small/micro businesses to reduce minimum insurance premiums.
- Consider reduced filing frequencies for operations below minimum thresholds.
- Create special rules based on business size.

***4) Create a pro-active ombudsman service from all of the regulating and assisting agencies to work with small business in resolving their compliance issues.***

Committee members ranked this as eighth among recommendations. It was moved to the Technical Assistance committee and included in a recommendation to the full Task Force. Examples of agency Ombudsmen were noted: Worker's Compensation; Empire State Development Small Business Ombudsman and Environmental Ombudsman; Tax is developing an ombudsman program based on the IRS program; Office of Aging has a long-term care ombudsman.

It was recommended that the agency ombudsmen need to be able to communicate with each other. It was noted that they used to meet periodically in meetings organized by ESD in order to work on issues and to find out who the right contacts are at each agency. In sum, the Committee said business needs and wants a unified process, not a disjointed process. We need to create a structure for problem solving. The Technical Assistance Committee advanced an Ombudsman Working Group recommendation to the full Task Force.

***5) Create an ombudsman structure that focuses on small business issues and needs by industry sector or business type, such as retail, energy, micro-business, high-tech, manufacturing, and can coordinate all relevant agencies in a problem-solving approach.***

Committee members ranked this as seventh among recommendations. It was transferred to the Technical Assistance Committee for further review and discussion.

***6) Create an efficient and timely contracting and payment process that streamlines procurement under \$100,000 where greater flexibility is needed.***

Committee members ranked this as fourth among recommendations. It was moved to the Technical Assistance committee for further review and discussion. It was noted by committee members that the State already has the "vendor rep." system to track contracts. This should be improved rather than create a new system. At the same time OGS has some procurement initiatives to speed up the contracting process and it was agreed that small businesses are often overwhelmed by the rules. Large businesses don't have the same issues, because they have the staff to file the paperwork. A recommendation for creation of a streamlined process for contracts between \$25,000-100,000 was noted.

***7) Develop improved insurance products geared to the needs of small business, especially in the areas of health, workers' compensation and liability insurance through group purchasing and experience rating standards.***

Committee members ranked this as the fifth highest priority issue. Staff from the NYS Insurance Fund provided an overview of their service, which has 170,000 policy holders, including 61,000 disability insurance policy holders and low-cost workers' compensation insurance policy holders. Most policy holders are small businesses and 93% of NYSIF premiums are below \$25,000. In 2010 the Insurance Fund will offer a group program for disability insurance to keep rates as low as possible. They noted that many 'Mom & Pop' businesses don't know that they are supposed to carry Workers' Comp coverage for the 'employed' spouse. The committee recommended a rule change to allow a coverage waiver when the spouse is the only employee.

The Technical Assistance Committee addressed recommendations for group purchasing programs to help small firms reduce costs for a variety of goods and services, including some insurance products.

Business representatives cited the high cost of health insurance as among the most serious

impediments to their competitiveness. The Government Regulations Committee focused its efforts on developing recommendations to address access to affordable health insurance. These recommendations are included in the Task Force report. The Committee acknowledged that pending federal legislation will have a large, though yet unknown, impact on health insurance options and costs in New York State, and therefore, sweeping reform measures are premature. Nonetheless, Committee staff working with the Insurance Department, identified measures that New York State can implement without waiting for federal legislation that will reduce or contain the cost of health coverage.

***8) Reform debarment standards to enable first time or minor offenders to get back into the procurement process sooner.***

This issue was raised by representatives of Workers' Compensation, but was not highly ranked by the Committee overall. WCB is drafting legislation to address the issue relevant to that agency.

***9) Develop easy to use 'how to' manuals by business sector to guide start-up and business growth opportunities.***

Committee members ranked this as the 10<sup>th</sup> highest priority, noting that much of the work has already been done by various agencies, addressing industry sectors they work with. Empire State Development publishes 'Your Business' which is a comprehensive guide to starting a business, and the GORR website provides extensive guidance on starting a business. However, committee members noted that the various agency manuals should be gathered into a centralized point of access to make it easier for business to find them, and that additional manuals could be developed to address issues specific to industry sectors not yet covered.

This issue was forwarded to the Technical Assistance committee for inclusion with their comprehensive technical assistance recommendations.

***10) Expand agency rule-making authority where it is limited (often by statute) and give agencies increased flexibility in interpretation.***

Committee members ranked this as the 16<sup>th</sup> highest priority. The issue was raised as a possible approach to address out-dated licenses and regulations which must be enforced. The State Liquor Authority representative pointed out their limited rule-making authority, noting that courts have interpreted the legislation to allow rule-making in only certain statutes, but not broad rule-making authority. It was agreed that the SLA has many outdated licenses and regulations, and rule-making authority could help it be more responsive. However, the committee noted that that rule-making authority broadly exercised can create problems too and did not pursue this issue further.

***11) Create a strong marketing strategy building on the release of the NYS Directory of Small Business Programs to increase awareness of State assistance to small business.***

Committee members ranked this as the sixth highest priority, and felt it was a particularly high short-term priority. Empire State Development, working in partnership with the Governor's Office, launched the Directory in late September through an email distribution to over 10,000 state, county and local elected officials, business assistance organizations, and small business owners. The Directory is available on the Empire State Development websites for free browsing and downloading, and in the six weeks since it has been launched, ESD has received more than 450,000 web hits to the Directory pages. ESD has sponsored Directory demonstration workshops for small

business assistance providers in every region of the State to further disseminate the Directory.

***12) Expand the NYS Directory of Small Business Programs to include additional service listings from federal, local and private sector programs.***

Committee members ranked this as the 19<sup>th</sup> highest priority. Concerns were raised that the universe of federal and local programs is so large, that it would be very difficult to maintain accurate and updated listings. Alternative approaches were mentioned, including linking to regional sites that maintain local listings. The Empire State Development website for small business ([nylovesmallbiz.com](http://nylovesmallbiz.com)) maintains listings of local assistance resources, organized by county, now and the new Directory links to the small business website already. This issue was referred to the Technical Assistance committee for further consideration.

***13) Review and benchmark current agency practices that impact small business to develop a system of 'best practices' that can be used to assess performance.***

This issue was not highly ranked by the Committee overall and moved to the Technical Assistance Committee for further review. The original concept would have had the Committee inventory agency programs and develop case studies so others can learn from them. Several agency representatives offered examples of successful programs. Even among standardized programs, the quality of service delivery is inconsistent. Standards to ensure that all agencies are providing quality of service would be useful.

Committee members made suggestions to ensure greater consistency and reliability for businesses:

- The State Controller could issue interpretive bulletins to establish consistent enforcement
- Ask agencies that have regional offices to ensure state-wide consistency,
- Examine the rules and the various interpretations industry by industry regarding the quality of customer service delivered by State agencies:
- State agencies could offer classes in customer service to staff
- Develop a regulators' code of conduct and a code of conduct for all employees
- Offer classes to call center employees on how to handle difficult people and to call center managers on how to analyze call center data for performance
- Develop measurable standards for response time, turnaround time, etc.
- Survey agencies to see if they have response standards set in law or regulation, and if not consider incorporating appropriate measures

***14) Develop and implement policies and standards to improve customer service standards in all agencies.***

This recommendation was not highly ranked by the Committee and transferred to the Technical Assistance Committee for further review and discussion.

***15) Develop a list of federal regulations that inhibit or interfere with small business development strategies and work with our federal representatives to seek modifications.***

It was noted that many of the statutes, rules and regulations that impede business growth are federal. It was recommended State agency staff could be more proactive in working to change those statutes, rules and regulations.

***16) Create a system to encourage voluntary compliance with state regulations before enforcement authority is exercised and penalties are imposed.***

Committee members ranked this as a high priority among the issues raised and it advanced to the full Task Force as a recommendation for the report. Rather than relying solely on punitive measures, it would be preferable to achieve small business compliance with the myriad State laws, regulations and rules by fostering a positive and constructive relationship with small business owners. Examples of agency efforts to work with business were discussed, including amnesty programs, negotiation of fines, and outreach to industry when writing new regulations. Large businesses hire lobbyists and lawyers to help them negotiate with agencies, but small businesses don't have a clear source of information on the regulations and how to comply. Programs need to help small businesses become compliant through education and dispute resolution. A directive could suggest that when there is flexibility, a dispute resolution process for small businesses can be developed, as well as provide opportunities for business to come into compliance and to pay fines in installments.

One program that has been undertaken by the State Liquor Authority where SLA provides free training seminars to educate restaurant and bar owners of their obligations under the law. This training covers many of the key elements of the state's alcoholic beverage control law and the measures operators can take to comply with the law. ESD's Small Business Environmental Ombudsman program provides education to regulated sectors on their environmental compliance responsibilities. Tax & Finance offers a voluntary disclosure program for unpaid taxes that waives fines and reduces interest to simple. DEC and Ag and Markets also currently have versions of voluntary compliance programs. The Committee recommended to the full Task Force the creation of broad-based, formal, and continuing voluntary compliance programs (VCPs) within State agencies that have regulatory enforcement authority and responsibility.

***17) Create a system for independent dispute resolution where compliance issues can be mediated before legal enforcement action is taken.***

Committee members ranked this as the 14<sup>th</sup> highest priority. Some committee members felt this would add a layer of state bureaucracy to an already complicated system. Members recommended that this issue be considered with the above recommendation to encourage voluntary compliance. Empire State Development has a statutory role to advocate on behalf of small businesses regulated by Environmental Conservation and has been exploring the establishment of a formal dispute resolution process with DEC.

***18) Provide an ongoing vehicle for carrying out committee work once the Task Force work is concluded.***

Economic Development Law creates a Small Business Advisory Board, staffed by the Small Business Division of Empire State Development. Governor Paterson is re-activating this Board with new appointments, and it provides a ready-made vehicle for carrying forward the work and recommendations of the Task Force. The recommendation was transferred to the Technical

Assistance Committee, where a recommendation has also been made to reestablish the Interagency Small Business Working Group.

***19) Strengthen the role of the Governor's Office for Regulatory Reform and its capacity to provide continued review of regulation.***

Committee members ranked this as the 11<sup>th</sup> highest priority. GORR's OPAL system currently inventories about 1,200 state permits and provides supporting permit information and guidance. GORR reviews proposed regulations and considers the cost/benefit impact on small business in their review. Governor Paterson recently issued Executive Order 25 on Regulatory Review and Reform which strengthened GORR's role and capacity in the review of existing regulations.

***20) Develop a system to ensure that regulations are interpreted consistently within individual agencies through technical assistance bulletins for use in regional offices.***

This was not ranked by committee members and was incorporated into the more highly ranked recommendation to develop approaches to business education for voluntary compliance discussed above. The issue raises the observation that the same regulation may be interpreted and enforced differently among various regional offices of the same agency. A voluntary compliance program that educates enforcement staff as well as the regulated businesses may be the best way to address these discrepancies.

***21) Eliminate redundancies by streamlining inspection programs through inter-agency cooperation.***

This recommendation was combined with number two above. It was noted that the Office of Taxpayer Accountability (OTA) is currently meeting with each state agency to streamline inspection programs.

## TECHNICAL ASSISTANCE COMMITTEE REPORT

### Membership

**Arana Hankin**

Executive Chamber, Committee Co-Chair

**Steven Cohen**

Empire State Development, Committee Co-Chair

**Kenneth Adams**

The Business Council of New York State

**Karen Coleman**

New York State Department of Labor

**Bruce Herman**

New York State Department of Labor

**Michael Jones-Bey**

Empire State Development, Division of  
Minority and Women's Business  
Development

**James King**

New York State Small Business Development  
Centers (SBDC)

**Marco Lowe**

NYC Department of Small Business Services

**Steve McGrattan**

New York State Department of Agriculture &  
Markets

**Joyce Moy**

City University of New York (CUNY)

**Tasha Norman**

National Association of Women Business  
Owners

**Alfred Placeres**

New York State Federation of Hispanic  
Chambers of Commerce

**Jim Roberts**

New York State Foundation for Science,  
Technology and Innovation (NYSTAR)

**Steve Ryan**

New York State Department of Labor

**James Senall**

Hi Tech Rochester

**Donald Siegel**

University at Albany School of Business

**Regina Smith**

Harlem Business Alliance

**Andrew Sullivan**

New York City Investment Fund/  
Partnership for New York City

**Alfred J. Titone**

Small Business Administration (SBA)

**F. Michael Tucker**

Center for Economic Growth (CEG)

**Jim Weyhenmeyer**

State University of New York (SUNY)

## Overview

Based on the priorities and challenges identified during the statewide focus groups in Spring 2009, the general scope of the Technical Assistance Committee included developing strategies for improving access to information and existing resources; ombudsman services; encouraging entrepreneurship and supporting business development services; increasing procurement opportunities; improving quality control of TA being provided; filling service gaps and reducing duplication; and reducing small business costs and improving sustainability.

## Discussion Topics

The specific topics addressed by the Technical Assistance Committee included:

### *Improving Business Support Information and Resources*

- a) Creating a NYS Directory of Small Business Programs and, over time, expanding it to include additional resources and information about local and third-party programs;
- b) Enhancing the NYS Directory of Small Business Programs to include features such as roadmaps, FAQs, and a feedback section;
- c) Improving the value and ease of access to small business services through an enhanced website and streamlined ombudsman services, including mechanisms to ensure rapid client response;
- d) Creating interagency working group(s) to better coordinate small business programming, enhance quality standards, share information, and identify best practices;
- e) Creating professional development and peer-to-peer exchange opportunities such as webinars and conferences;

### *Procurement*

- f) Establishing a small business procurement set-aside program or targets, which could include targets for new business purchasing and accountability standards;
- g) Providing proactive technical assistance to small businesses and M/WBEs to assist in preparing effective bids, bid matching, creating mentor/protégé programs, and linking small business subcontractors with prime vendors;

### *Business Incubation and Commercialization of Technology*

- h) Increasing State support of accelerator models of business incubation that incorporate hands-on business coaching, mentoring, and other non-real estate services;
- i) Creating incentives for greater utilization of university personnel, students, and faculty for training services and creation of new businesses;
- j) Broadening State support for technology commercialization assistance, including building partnerships between resource/capital providers, technology producers, and business people;
- k) Developing a State-supported empowerment business incubator strategy;
- l) Developing a State-supported equity strategy for startup and expanding businesses;

### *Workforce and Entrepreneurship*

- m) Creating an enhanced program to support entrepreneurship training for dislocated workers; exploring the revitalization of the DOL Self-Employment Assistance Program;

- n) Supporting strategies to sustain troubled businesses and avert layoffs such as early warning systems, ESOPs, and incumbent worker training, by utilizing federal Employment and Training dollars and other funds;

*Intensive Services/Business Sustainability*

- o) Improving cost-saving assistance programs such as group purchasing, insurance pooling, workforce training, energy audits, and other measures;
- p) Facilitating the development of a pro-bono network for one-on-one counseling in specific areas – e.g., legal, accounting, consulting, business mentoring, RE services; and
- q) Requiring businesses seeking State-supported financing to obtain technical assistance.

The discussion on each topic is summarized below:

***Improving Business Support Information and Resources***

- a) Creating a NYS Directory of Small Business Programs and, over time, expanding it to include additional resources and information about local and third-party programs;

While the primary discussion took place in the Technical Assistance Committee of the Small Business Task Force, each of the four Committees identified improving the value and ease of access to small business services as a major priority. The TA Committee discussed the value of finalizing a directory for small business programs, translating it to various languages, and expanding it to include non-State resources, although the committee acknowledged the difficulty of keeping information current and discussed potential ways to submit information and allow for direct entry or updating. The first version of the directory was launched in October 2009 and it is currently being translated into Spanish.

- b) Enhancing the NYS Directory of Small Business Programs to include features such as roadmaps, FAQs, and a feedback section;

The TA Committee discussed various ways to solicit feedback and help businesses navigate the directory, including creating custom ‘roadmaps’ for standard questions and issues, creating a FAQ section, and creating a mechanism to suggest additional sources and solicit suggestions for improvement. Some members expressed a desire to keep the format simple, as long as there was an easy way to request additional assistance.

- c) Improving the value and ease of access to small business services through an enhanced website and streamlined ombudsman services, including mechanisms to ensure rapid client response;

The TA Committee discussed other mechanisms for providing access to a wide range of resources and tools, which could include a comprehensive list of financing sources, business planning and startup tools, and so forth. Mechanisms could include enhancing the State’s web interface and expanding ombudsman processes to ensure fast and reliable service from State agencies. Members discussed various ways to ensure faster and more efficient response, including utilizing technology such as chat rooms, developing a tracking procedure for business inquiries, and establishing an ombudsman working group (see below) for better coordination.

- d) Creating interagency working group(s) to better coordinate small business programming, enhance quality standards, share information, and identify best practices;

The TA Committee discussed the creation of a mechanism for ombudsman at various agencies to share information and coordinate, and to ensure that direct business inquiries are handled quickly and directed to appropriate agencies. Most members saw a benefit for greater coordination of ‘business-facing’ staff, as well as for small business programs in general. Members discussed creating one or more working groups across various NYS agencies that serve small businesses, which would include senior program staff, as well as ‘business-facing’ ombudsmen. Members addressed the potential scope of work, which could include peer-to-peer learning on all business programs, sharing business development best practices and model programs, and establishing consistent guidelines and definitions.

- e) Creating professional development and peer-to-peer exchange opportunities such as webinars and conferences;

The TA Committee discussed the issue of quality control and peer-to-peer learning for business counselors in technical assistance networks funded by the State. While there are a number of information sharing and professional development opportunities available and utilized within networks, there are more limited opportunities to (1) share best practices and information *between* networks (in particular, the State’s Small Business Development Center (SBDC) and Entrepreneurial Assistance Program (EAP) Networks) and (2) harness the expertise of various centers and counselors to capture documents, training materials, tools and templates in a central location. Members discussed the value of more professional development and peer-to-peer training opportunities such as webinars, seminars, and networking events, as well as harnessing the materials, tools and templates from the SBDC, EAP, and other networks for wider distribution to small businesses, utilizing agency ombudsmen and perhaps a enhancing the ESD website.

### ***Procurement***

- f) Establishing a small business procurement set-aside program or targets, which could include targets for new business purchasing and accountability standards;

The TA Committee discussed ways to increase procurement contracts for small businesses, including the creation of set-aside programs and targets. Some members acknowledged difficulties in creating small business preferences for NYS businesses, including the potential for retaliation from other jurisdictions. Members also discussed prompt payment for small business contractors and the impact delays can have on business operations.

- g) Providing proactive technical assistance to small businesses and MWBEs to assist in preparing effective bids, bid matching, creating mentor/protégé programs, and linking small business subcontractors with prime vendors;

The TA Committee discussed a number of issues related to small business contracting, including the need to assist small business to clarify the contracting process, make stronger connections to agency contracting representatives, help businesses develop stronger bids, and facilitate links to prime contractors for small business subcontractors and suppliers. Members discussed various strategies for enhancing services through increased training of, and outreach to, businesses, government agencies, and small business service providers; increased direct technical

assistance to small businesses around bid development, bid matching, and linking prime contractors with subcontractors and suppliers; and the development of robust mentor/protégé programs.

### ***Business Incubation and Commercialization of Technology***

- h) Increasing State support of accelerator models of business incubation that incorporate hands-on business coaching, mentoring, and other non-real estate services;

The TA and Access to Capital Committees both identified the need for facilitation of access to capital and intensive technical assistance for technology-based firms. While New York State has numerous universities and is a leader in research and development of technology, many times the technology is not commercialized successfully or firms cannot secure investments to bridge the so-called “valley of death”, the period between the initial seed capital stage and venture capital funding. Many of these technology developers have little experience running and growing businesses, raising capital, marketing and manufacturing products, or recruiting business talent.

Members discussed an approach whereby technology-focused support organizations such as tech incubators or accelerators<sup>5</sup> could receive additional funding to provide comprehensive services to technology entrepreneurs and developers. These service providers could incorporate a model of development that includes (1) temporary office space alongside other technology companies, (2) connections to capital; (3) management coaching and recruitment of talent; and (4) connections to technology and market planning assistance that will help refine the business model and develop products. This technical assistance would work in tandem with additional early-stage funding. The goals of a comprehensive approach would be increased investment and success rates among nascent technology companies, and faster development times.

Although this model could conceivably help a wider range of businesses, members focused on the particular need for intensive accelerator models of incubation as it related to technology firms.

- i) Creating incentives for greater utilization of university personnel, students, and faculty for training services and creation of new businesses;

The TA Committee discussed the value of harnessing university resources for business development purposes. Members discussed tactics such as encouraging faculty and student team consulting for local small businesses, utilizing space and technology for in-house training and webinars, creating alumni mentoring programs, and fostering community engagement within business schools. Some members noted that small business supports networks such as the SBDCs already have strong connections to universities, particularly SUNY, and a number of university programs exist in these areas and currently operate in coordination with a range of nonprofit community-based business support organizations.

- j) Broadening State support for technology commercialization assistance, including building partnerships between resource/capital providers, technology producers, and business people;

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<sup>5</sup> Incubators are generally earlier stage, while accelerators are later stage, closer to revenue generation. Both tend to have physical space for client companies and graduation policies to transition companies to other local offices after a period of time.

Similar to “h” above, the TA Committee discussed a model for helping technology-based firms, based on the nexus between capital providers, technology research and development, and business talent. Members discussed the High Tech Rochester program as one possible model to replicate across the state. Members discussed the Regional Technology Development Center network, funded through NYSTAR, as a possible delivery mechanism for such a model. Members also noted the similarity between such a model and the incubator/accelerator approach discussed under “h”, which would include temporary office space for growing businesses.

- k) Developing a State-supported empowerment business incubator strategy;

The TA Committee discussed the support of empowerment incubators, which provide business coaching and temporary office space to traditionally disadvantaged entrepreneurs or to businesses in lower-income communities. Some programs, such as Empire State Development’s 23 Entrepreneurial Assistance Centers, provide business training and coaching in these areas, albeit without a facility for shared office space. Some members noted that there is currently not a wide network of empowerment incubators throughout the State, and therefore focusing on this strategy would require capacity-building and development funds.

- l) Developing a State-supported equity strategy for startup and expanding businesses;

The TA and Access to Capital Committees both discussed the need to create seed funds and connections to early-stage capital for higher potential businesses. Some members stressed the need for more early-stage capital while others focused on connecting existing sources of capital to higher-growth businesses throughout the state. Some members noted the importance of private sector focus and expertise in managing an equity fund, and noted that private companies are in a better position than the State to address equity. Members mentioned some existing state programs that could serve as models, such as the Small Business Technology Investment Fund (SBTIF) at NYSTAR and Pennsylvania’s Ben Franklin Fund, but noted that more models need to be studied and reviewed.

### ***Workforce and Entrepreneurship***

- m) Creating an enhanced program to support entrepreneurship training for dislocated workers; exploring the revitalization of the DOL Self-Employment Assistance Program;

The TA Committee discussed ways to provide entrepreneurship assistance to certain target populations, such as dislocated workers and veterans. Some members mentioned that certain existing service providers are already dedicated to serving certain special populations. The Department of Labor’s Self-Employment Assistance Program is a program that provided entrepreneurship training to dislocated workers interested in starting a business, rather than re-entering the traditional workforce. Some members noted that success of that program and the need for additional resources to revitalize it.

- n) Supporting strategies to sustain troubled businesses and avert layoffs such as early warning systems, ESOPs, and incumbent worker training, by utilizing federal Employment and Training dollars and other funds;

The TA Committee discussed additional workforce-related strategies for sustaining troubled businesses. Some members noted that when early warning is given on plant closures with layoffs, Employee Stock Ownership Positions (ESOPs) can be an effective alternative to save the business. Other members discussed the possibility of soliciting federal resources, such as Employment and Training funds, for use in supporting workforce-related small business support activities. Members agreed to look into these possibilities further and incorporate into the work of the Workforce Committee.

### ***Intensive Services/Business Sustainability***

- o) Improving cost-saving assistance programs such as group purchasing, insurance pooling, workforce training, energy audits, and other measures;

The TA Committee discussed the issue of providing information and training that will help small businesses lower costs, increase competitiveness, and increase the chances of survival during the current economic crisis. Important areas for consideration included group health insurance and discount purchasing of supplies and services. Reducing health insurance costs was also an important topic of conversation in the Regulations Committee. Some TA Committee members recommended focusing on cataloguing existing discount programs (such as health insurance, supplies, and other programs) from Chambers of Commerce and other stakeholders, and including those resources as part of a larger effort to ease access to information and resources, described in “a” and “c” above.

- p) Facilitating the development of a pro-bono network for one-on-one counseling in specific areas – e.g., legal, accounting, consulting, business mentoring, RE services;

The TA Committee discussed the benefits of individual assistance to businesses from a range of consultants, accountants, mentors, and lawyers. Some members mentioned that many programs of this type exist already on an ad hoc basis, and perhaps the best approach would be to capture best practices and models for successful pro bono professional service programs to share among existing networks of business support providers, such as the Small Business Development Centers (SBDCs) and the Entrepreneurial Assistance Centers.

- q) Requiring businesses seeking State-supported financing to obtain technical assistance.

The TA Committee noted that many potential borrowers require assistance such as credit counseling, financial management assistance, and financial statement preparation before they can qualify for financing. Some members mentioned that post-loan technical assistance is beneficial and helps with repayment rates. However, members expressed some reservation at making technical assistance mandatory and noted that the SBDCs and others already coordinate both access to capital services and technical assistance services.

### **Priorities**

All Small Business Task Force Committees ranked the various tactics and strategies discussed during the committee meetings. The options ranked highest were further developed and form the basis for the recommendations in this report. In some cases, options were moved to other committees for development; in others, options were combined because they shared similar elements.

The TA Committee priority rankings are as follows:

<b>Tactic</b>	<b>Rank</b>
<b>Improving Business Support Information &amp; Resources</b>	
Expand Small Business Resource Directory to include additional resources and information about local and third-party programs.	1
Enhance Small Business Resource Directory to include features such as roadmaps, FAQs, and a feedback section.	3
Improve value and ease of access to small business services through enhanced website and streamlined ombudsman services, including rapid response.	4
Create interagency working group(s) to better coordinate small business programming, enhance quality standards, share information, and identify best practices.	2
Create professional development and peer-to-peer exchange opportunities such as webinars and conferences.	10
<b>Procurement</b>	
Establish small business procurement set aside program or targets, which could include targets for new business purchasing and accountability standards.	13
Provide proactive TA to small businesses and M/WBEs to assist in preparing effective bids, bid matching, creating mentor/protégé programs, and linking small businesses subcontractors with prime vendors.	6
<b>Business Incubation &amp; Commercialization of Technology</b>	
Increase State support of accelerator models of business incubation that incorporate hands-on business coaching, mentoring, and other non real estate services	5
Create incentive for greater utilization of university personnel, students, and faculty for training services and creating new businesses.	14
Broaden State support for technology commercialization assistance, including building partnerships between resource/capital providers, technology producers, and business people.	7
Further develop State -supported empowerment business incubator strategy.	16

Based on the above ranking, priorities 1-11 were developed further and form the basis of the TA Committee recommendations. Some of those priorities were combined into one recommendation, while others (priorities 8 & 11) were moved to other committees for development. The remaining options were not developed further because of the low level of importance attached to them by most committee members.

### **Conclusion**

The Technical Assistance Committee recognizes the importance of building technical resources for small businesses in New York State. These resources help businesses secure capital

and utilize it effectively, develop stronger business plans, improve operations, lower costs, and become more competitive.

The committee explored a wide range of technical assistance strategies and tactics and, after much deliberation, focused on a comprehensive set of priorities that would increase access to information and available resources for small businesses; create better interagency coordination and enhance customer service around small business services; share best practices, information, and resources across a wide range of business support providers; help small businesses secure more government contracts; and support early-stage higher-growth technology companies with more integrated technical and financial resources. Taken together, the goal of these efforts is to increase small business development services, build the capacity of business service providers, and ultimately help more small businesses launch, expand, improve operations, and create jobs in New York State.

## ACCESS TO CAPITAL COMMITTEE REPORT

### Membership

**Jeffrey Metzler**

Empire State Development, Committee Chair

**Ernie Amabile**

New York State Assembly

**C. Thomas Barletta**

New York State Banking Department

**Margaret Becker**

Office of the State Comptroller

**Robert Callendar**

New York State Energy Research and  
Development Authority (NYSERDA)

**Eddie Chiu**

Ling Sing Association

**Michael Conway**

Adirondack Economic Development Corp.

**Tristram Coffin**

Alternative Federal Credit Union

**Maurice L. Coleman**

Bank of America

**Daniel Delehanty**

Capital One Bank

**Maria Gotsch**

New York City Investment Fund

**Gina Harman**

ACCION USA

**Jessica Henderson**

New York State Division of Housing and  
Community Renewal

**Jalak Jobanputra**

New York City Investment Fund

**Linda Dickerson Hartsock**

Center for CleanTech Entrepreneurship

**Leslie Kane**

Grameen America

**Patrick J. MacKrell**

New York Business Development  
Corporation

**Brian T. McMahon**

New York State Economic Development  
Council

**Theresa Mazzullo**

Excell Partners

**Frank McEvoy**

Office of the State Comptroller

**Joyce Moy**

City University of New York

**Sunny-Divjot Narang**

New York State Foundation for Science,  
Technology and Innovation

**Tasha Norman**

National Association of Women Business  
Owners

**Joseph Rabito**

New York State Division of Housing and  
Community Renewal

**Pravina Raghavan**

Small Business Administration

**Robert Scofield**  
U.S. Department of Housing and Urban  
Development (HUD)

**Alice Steel**  
Grameen America

**Alfred Titone**  
Small Business Administration

**Stephen Vogel**  
Grameen America

**Jim Weyhenmeyer**  
State University of New York

### **Overview**

Small businesses across New York State cite difficulty accessing capital as one of the major obstacles facing them today. The Access to Capital Committee of Governor Paterson's Small Business Task Force (the "Capital Committee") was charged with addressing this concern.

### **Discussion Topics**

As an initial step, the Capital Committee sought to identify with greater precision the nature of the credit problems facing small businesses. Research was conducted on the existing sources of capital for small businesses and the current state of small business lending in New York State and the nation, thereby highlighting where New York State could provide additional assistance.

The following discussion topics were identified by the Committee and addressed through an online discussion group and at meetings held on July 8, September 9, and September 23, 2009:

1. improve marketing of available resources;
2. develop better information on, and assessment of, product utilization;
3. expand eligibility for existing financing products;
4. expand seed-stage, early-stage financing opportunities;
5. support new financial products for small businesses;
6. facilitate more effective interaction between and among financing, technical assistance, entrepreneurial training, and workforce development;
7. facilitate access to non-State capital; and
8. improve the efficiency and accessibility of the lending process.

#### ***1 & 2. Improve Marketing of Available Resources / Develop Better Information on, and Assessments of, Product Utilization***

The Capital Committee noted that numerous sources of capital for small businesses already exist in New York State including banks, credit unions, community development financial institutions (CDFIs), and the New York Business Development Corporation. In addition, numerous State and federal programs already exist to facilitate access to capital through these lenders, including the Linked Deposit Program, CDFI Assistance Program, and the federal Small Business Administration's 7(a) and 504 loan programs.

Many small businesses, however, are not aware of all of these options. The Capital Committee reviewed the New York State Small Business Directory, which was developed by the Governor's Small Business Task Force in response to similar feedback during regional focus groups with small business representatives and which includes specific information on lending resources. Effective marketing strategies for the Directory were discussed, such as making the guide available on private websites and search engine optimization.

In addition, the Capital Committee reviewed a directory of alternative lenders that had been compiled by the New York State Banking Department and posted on the Banking Department website in 2006. The Capital Committee discussed updating this lender directory and including additional information (e.g. lending criteria) and functionality (e.g. making the directory searchable and allowing small business owners to filter lenders based on the business's own parameters).

The Capital Committee also noted the importance of striking the right balance between the different programs available to small businesses and establishing guidelines for assessing the quality of different programs.

### ***3. Expand Eligibility for Existing Financing Products***

The discussion around expanding eligibility for existing financing products focused on two areas. First, the Capital Committee discussed the idea of allowing the State's Industrial Development Authorities (IDAs) to use funds for small business and micro-loan programs. Many committee members found the idea unwise and impractical, noting that many IDAs lack the experience or qualifications to underwrite small business and micro-loans. Moreover, members noted that many IDAs already have revolving loan funds that are woefully underutilized. Some members noted that this problem could potentially be addressed through technical assistance to IDAs, but others responded that this was unnecessary given the lending capacity that already exists within the State.

The second discussion around expanding eligibility of existing products centered on allowing businesses to refinance existing debt. Capital Committee members noted that several programs, including SBA loans, allow funds to be used to refinance and that there were tangible benefits to businesses. The counter-argument presented was that the goal of some loan programs was to provide access to capital to businesses that could not otherwise obtain capital, not to lower the costs to those businesses that had been able to obtain loans already, albeit at high rates.

### ***4. Expand Seed Stage / Early Stage Financing***

Committee members suggested several strategies to improve access to capital for seed-stage and early-stage companies. One was examining New York's competitive advantage in emerging sectors and pursuing a sector approach. Another suggestion was that the State start with a regional approach and then move on to emerging sectors. To avoid the so-called "Valley of Death" in early-stage funding (the period between product development and business revenue), one member suggested that the State make a larger commitment to seed funding. Others commented on the importance of linking such an early-stage fund with later-stage funding to ensure a continuum of options for businesses. The Capital Committee noted two seed funds sponsored by NYSTAR – NYC SEED and Western NY Business Development Fund – and cited the Ben Franklin Program in Pennsylvania as a model that New York State should try to replicate.

The Capital Committee also discussed whether the State could use the Regional Technology Development Centers (RTDC) – a network of 10 organizations supported by NYSTAR to provide entrepreneurial and business assistance – in creating a regional private investment program. The Committee felt that while this was possible (and had been done with some success in the Finger Lakes region), it would require much greater collaboration than currently exists in most regions.

Other early-stage financing ideas included the Israel Incubator System, which is a private/public development partnership to help support start-ups and an entrepreneur-in-residence program. The idea of the latter program is to enable entrepreneurs to become part of the management team and to establish equity. Committee members discussed similar programs available through several universities, including Columbia, NYU, Pace, Stony Brook and MIT.

Finally, the Committee discussed the development of a tax credit program for Angel investors as an alternative to a State-sponsored seed fund. It was noted that New York has an existing Qualified Emerging Technology Credits program, and that the UK had also implemented a successful tax incentive program for R&D. Some members expressed concern that a tax credit program would be more costly in the long run than a seed capital fund.

#### **5. *Support New Financial Products for Small Businesses***

The Capital Committee explored the development of several new financial products for small businesses, including guarantee programs, social purpose venture capital funds, interest subsidy programs, regional revolving loan funds, and sector-specific funds.

With respect to establishing a guarantee program, most committee members felt that the SBA guarantee programs met the needs of most small businesses and that State funds would therefore be better spent in other areas.

Social purpose venture funds received significant attention from the Capital Committee. As one committee member explained, the goals of Social Venture Capitalists (SVC) are similar to those of traditional venture capitalists, except that SVCs accept a lower-rate of return and/or take a higher-risk to fulfill a social good. Members noted that while New York City had a very active social venture network, SVC programs are also found outside the metropolitan area and such financing could be of substantial benefit in upstate New York. NYSERDA offered to lend expertise in helping guide initiatives that offer financial support to businesses improving energy efficiency. In addition, one member proposed the introduction of L3C legislation, which would allow the creation of low-profit, limited liability companies (L3Cs). An L3C is a hybrid of a nonprofit and for-profit organization designed to attract private investments and philanthropic capital in ventures designed to provide a social benefit. Unlike a standard LLC, the L3C has an explicit, primary, charitable mission and only a secondary profit concern. But unlike a charity, the L3C is free to distribute the profits, after taxes, to owners or investors.

Committee members felt the idea of creating an Interest Subsidy Program would be most effective if targeted at micro-loans, which tend to have higher rates of interest. It was noted that small businesses using credit cards as a primary source of capital, which many small businesses do, would benefit from a program that lowers credit card interest rates.

With regard to revolving loan funds, some committee members felt that the State should target its resources where needed by using a sector approach. Other members expressed the view that defining specific sectors for eligibility could discourage and limit participation. Another alternative discussed was a regional approach that refined the sector-based approach by bringing different stakeholders together to identify emerging sectors and projects for investments in a particular region.

#### **6. *Facilitate More Effective Interaction Between and Among Financing, Technical Assistance, Entrepreneurial Training, and Workforce Development***

The Capital Committee considered whether the State should endeavor to create a One-Stop center for small business owners to receive a multitude of services, including financial assistance, information on regulatory compliance, and technical assistance. Although some committee members pointed to the NYC Business Solution Centers as a potential model, others noted that previous attempts to create one-stop centers statewide had failed because businesses rarely need all services simultaneously. Therefore, some members of committee felt that the effort and resources required to consolidate all of the existing State programs for small businesses could not be justified by the limited benefits that would be provided.

**7. *Facilitate Access to non-State Funds***

The Capital Committee discussed ways that the State could facilitate access to non-State funds for small businesses through a “second look program” for small businesses whose credit score falls below 620. The concept behind such a program would be for the State to provide lenders with a referral network that had a variety of options for accessing capital for small businesses. Under this program, a small business seeking a loan from a lender that targets a different business profile would not simply be rejected for the loan, but referred to an appropriate lender. For example, a small business owner with credit scores below a particular bank’s lending profile would be referred to alternative lenders in the network with more flexible lending criteria. The Capital Committee noted that SBDCs or other TA providers should also be included in the network, as many small businesses that would require a “second look” program would often also benefit from one-on-one assistance to improve their financials.

**8. *Improve Efficiency and Accessibility of Lending Process***

There was substantial consensus among committee members that there was room to improve the efficiency of many State loan programs. Small business owners seeking capital are often unwilling or unable to take the time and complete all of the paperwork required to obtain a loan through some State-sponsored loan programs. As a result, these programs can be substantially underutilized, limiting their impact.

**Priorities**

Each member of the Capital Committee was asked to rate thirteen specific proposals based on short-term importance, long-term importance, and to provide an overall ranking of the strategy. The overall rankings of all members were tabulated and the cumulative results of the committee’s votes were as follows:

Tactic	Rank
Support early-stage financing	1
Increase state funding for general small business lending (e.g., NYCDFI Fund, ESD revolving loan funds).	2
Improve capacity to provide TA to small business borrowers (e.g. entrepreneur-in-residence at RTDCs, entrepreneurial mentoring program).	3
State funding for small business lending targeted by loan size (e.g. <\$25K, \$25K-\$250K).	4
Interest subsidy program to lower costs of borrowing (e.g., JDA loans, micro-loans).	5
Update, enhance, and market Small Business Lending Guide	6
Improve efficiency of ESD lending programs by reducing paperwork & increasing speed of payments	7
Expand eligibility of existing loan programs to allow refinancing of existing debt.	8

Tactic	Rank
State funding for small business lending targeted at specific sectors.	9
Improve underwriting capacity for alternative lenders	10
Second-look Program.	11
State funding for social purpose (triple bottom line) lending.	12
Legislation to allow low-profit limited liability company (L3Cs)	13

In addition, the Capital Committee prioritized different strategies for supporting seed-stage / early-stage financing in the following order: (1) a State-supported seed fund; (2) tax incentives for Angel investing; and (3) improved TA and marketing to attract more private Angel investment.

Based on these rankings, the final recommendations from the Capital Committee were:

1. Support early-stage financing. With regard to which approach to use in supporting early-stage funding, a State-supported matching fund for early-stage investment received the highest ranking with seven first place votes, a tax incentive to increase private angel investment was second with six first place votes, and improved TA and marketing was third, with five first place votes.
2. Increase State funding for general small business lending with a focus on specific loan sizes.
3. Improve capacity to provide technical assistance to small business borrowers.
4. Create an interest subsidy program. This idea ranked highly overall and third as a long-term strategy. However, it rated poorly as a short-term strategy. Comments reflected that this low short-term rating was based on limited state resources and because prevailing market rates today are quite low.
5. Update, enhance, and market Small Business Lending Guide. This initiative received the highest rating as a short-term strategy and staff is already working on completing this recommendation. Projected completion is November 2009.
6. Improve efficiency of ESD lending programs.
7. Expand eligibility of existing loan programs to allow refinancing of existing debt.

The following ideas did NOT rank high enough to merit further development at this time:

- A. Improved capacity for alternative lenders
- B. State funding for sector-specific social-purpose venture funds.
- C. Second look program.
- D. Legislation to allow L3Cs – while ranked as a low-priority overall, this idea did have some support as a long-term strategy. Therefore, it may be worthwhile for ESD’s Small Business Division to consider legislation in this area in future years.

### **Conclusion**

Access to capital continues to be a critical issue for small businesses in New York State. The recommendations of the Capital Committee are designed to address these needs in a targeted and efficient manner that will minimize the budgetary implications for the State, while maximizing the assistance to small businesses.

## WORKFORCE COMMITTEE REPORT

### Membership

Committee members include leaders from across the state and represent geographic, industry, and philosophical diversity. These leaders represent state agencies, organized labor, and business associations and each has experience effectively addressing the needs of small businesses. Members include the following:

**Shammeik Barat, Committee Co-Chair**  
Executive Chamber

**Karen DeJarnette, Committee Co-Chair**  
Empire State Development

**Hector Gonzalez**  
New York State Department of Agriculture  
and Markets

**Melissa Googas**  
Retail Council of New York State

**Wally Hart**  
Chamber Alliance of New York State

**Bruce Herman**  
New York State Department of Labor

**Lynda Ireland**  
New York and New Jersey Minority Suppliers  
Development Council, Inc.

**John Monteiro**  
New York State Office of Mental Retardation  
and Developmental Disabilities

**Edward Murphy**  
Workforce Development Institute

**Tasha Norman**  
New York City Chapter, National Association  
of Women Business Owners

**Ron Novita**  
Empire State Development

**Ruth Pillittere**  
New York State Department of Labor

**Stephen Ryan**  
New York State Department of Labor

**Paul Shatsoff**  
Workforce Development Institute

**James Sherin**  
Retail Council of New York State

**Russ Simon**  
New York Association of Training and  
Employment

**Julie Suarez**  
New York State Farm Bureau

**John Twomey**  
New York Association for Training and  
Employment Professionals

**Randall Wolken**  
Manufacturers Association of Central New  
York.

## **Overview**

Over 90% of small businesses in New York employ fewer than 20 employees, with each employee expected to perform a number of roles within the business. Thus, employees working for small businesses must be able to deploy a variety of skills to address a number of tasks and functions. Yet, few programs support development of a workforce for small businesses. To ensure small business has the talent it needs to grow in New York State and remain competitive in the global marketplace, the Workforce Committee was tasked with prioritizing recommendations that would leverage the State's resources and develop critical partnerships.

## **Discussion Topics**

Based on the ideas generated at its July 9, 2009 meeting, the Workforce Committee divided its members into three working groups, each focused on a particular theme. Each working group brainstormed potential initiatives, researched key ideas, and developed draft proposals. The draft proposals were presented and discussed by the entire Workforce Committee at its October 2009 meeting. Working Group 1 focused on workforce program outreach, Working Group 2 focused on aligning workforce development and economic development, and Working Group 3 focused on training programs. The specific proposals developed by the working groups were as follows:

### **Working Group 1**

- a. Wage subsidies recommendations including a Two Tier On-the-Job Training incentive and Targeted Employment Maintenance Program (TEMP);
- b. Improved utilization of programs recommendations including Lay-Off Aversion/Emergency Response Teams that would incorporate components such as an Early Warning Dashboard and Lay-Off Aversion Consultant; enhanced training opportunities such as On-the-Job and Incumbent Worker training; and small business services such as conducting Career Fairs, providing access to Labor Market Information, promoting tax incentives, offering Shared Work, and promoting the Self Employment Assistance Program; and
- c. Part Time and Seasonal Workers recommendations including temporary employee hiring registries; assistance to businesses in creating an internship program with local schools/colleges; flexibility in the Work Opportunity Tax Credit program to allow businesses that employ workers for a shorter period of time to be eligible for tax credits; and development of training programs which would allow workers to develop transferable skills to work in other industries.

### **Working Group 2**

- d. Simplify the grant application process;
- e. Expand the use of apprentice programs to address secondary school graduates, incumbent workers who need to increase skills, and displaced workers who need new skills to find employment.
- f. Implement a sector-based approach to bring together workforce and economic development efforts;
- g. Increase awareness of State funding programs through increased marketing;
- h. Determine the relevance of training programs;

### Working Group 3

- a. Increase on the job training program participation across the State;
- b. Evaluate and implement an internship model;
- c. Increase linkage between small business and post-secondary students and graduates through a Regional Jobs and Internship Portal, building on the efforts of the Young Leaders Congress;
- d. Implement a small business 101 course;
- e. Increase program outreach and marketing;
- f. Clarify which federal requirements apply to State grant programs.

### ***Wage subsidies recommendations including a Two Tier On-the-Job Training incentive and Targeted Employment Maintenance Program (TEMP)***

State jobs numbers have declined significantly as a result of the ongoing economic crisis. In August 2009, the unemployment rate for the State was 8.8%, up from 5.6% in August 2008. In previous years business growth was driven by small business, however, the crisis has significantly negatively impacted these companies. To support small businesses the Targeted Employment Maintenance Program (TEMP) offers partial wage payment as an incentive to businesses to retain employees at risk of being laid off. A Two Tier On-the-Job Training initiative would provide businesses with incentives to hire the long term unemployed.

Committee members discussed the potential benefits of using Unemployment Insurance funds for this purpose: employees not receiving this benefit would be released from employment and would receive the total amount of unemployment; employees receiving the TEMP benefit would remain employed, receive only partial unemployment dollars, and employers would continue to contribute to the unemployment insurance payroll tax helping to fund the benefit. In addition, employers would have skilled employees on staff to allow them to bid on and deliver any additional work should the opportunity arise. If employers were forced to lay employees off they would be unable to quickly react to changes in the business environment.

Research demonstrated that wage subsidies had a long term benefit and led to a long term reduction in costs. The question remained about the possibility of diverting Unemployment Insurance funds to fund wage subsidies (an approach similar to the one used to fund the Shared Work program). Given the pending change in staff at the Federal DOL, a different interpretation of the regulations may allow for this alternative use of funds.

The committee initially ranked this initiative highly. However, further discussion outlined federal rules changes required to allow for use of Workforce Investment Act or Unemployment Insurance funds to implement the recommendation. Based on the amount of time necessary to enable the change and the needs associated with the other proposed initiatives, the Workforce Committee decided not to include wage subsidies in its list of priorities.

### ***Improved utilization of programs***

The programs discussed with regard to this recommendation were Lay-Off Aversion/Emergency Response Teams that would incorporate components such as an Early Warning Dashboard and Lay-Off Aversion Consultant; enhanced training opportunities such as On-the-Job and Incumbent Worker training; and small business services such as conducting Career Fairs, providing access to Labor Market Information, promoting tax incentives, offering Shared Work, and promoting the Self Employment Assistance Program.

Each of the Working Groups discussed the need for better communication and outreach about the programs available to support small businesses. Small business owners often do not have the time to investigate what support may be available from a variety of government agencies. Committee members suggested that agencies frame their programs in terms that would make it easy for small businesses to 1) understand how the program would benefit their organization and 2) access the service or support. While all participants supported improved marketing efforts and links between services and the public, members also considered whether the State's program funding would support additional program participants if they were better marketed or if outreach was more aggressive. This initiative was giving a high priority ranking.

Committee members discussed the value of Worker Opportunity Tax Credits (WOTC). The discussion concluded that in its current configuration these credits were of limited value to small businesses and did not motivate employers to hire disadvantaged workers. Other options, such as an intermediary bundling and selling WOTCs, may provide increased value and utility to the intermediary in the long run while providing a benefit to the individual small business in the short run.

NYS DOL's Lay-Off Aversion program was of great interest to all committee members. This program would implement an Early Warning system and provide turnaround assistance consultants to help organizations in distress. Reviving an older program, Employee Stock Ownership Program (ESOP), would add succession planning strategies to the list of services, and would increase the likelihood of businesses staying in New York.

The proposal for Lay-off Aversion Strategies was rated highly by committee members. The initiative's ability to provide support for small business owners and employees, the availability of defined funding, and the immediacy with which it could be implemented all contributed to making the initiative a high-priority recommendation.

### ***Part Time and Seasonal Worker Programs***

Discussion around improving options for part-time and seasonal workers included transportation assistance; temporary employee hiring registries; assistance to businesses in creating an internship program with local schools/colleges; flexibility in the Work Opportunity Tax Credit program to allow businesses that employ workers for a shorter period of time to be eligible for tax credits; and development of training programs which would allow workers to develop transferable skills to work in other industries.

A variety of businesses in industries such as agriculture, tourism, leisure, construction, and retail are dependent upon part time and seasonal workers. Hiring workers to fill these positions has proven challenging, especially because of changes in special visa regulations and barriers to work facing populations typically interested in these occupations. Transportation was cited as a critical barrier limiting some workers from taking advantage of this employment.

NYS DOL brainstormed a list of potential programs to support employers and employees in organizations dependent upon Part Time and Seasonal workers. It was difficult to prioritize this list as the needs of these businesses are often vary depending upon the type and geographic location of the business involved.

The committee ranked the transportation and Part Time and Seasonal worker recommendations as 8<sup>th</sup> overall. However, members agreed that in some areas of the State, these recommendations might be of greater importance. The committee agreed that while both transportation and Part Time and Seasonal worker recommendations are important, other recommendations would have a broader impact for small business across the state. Therefore,

transportation and Part Time and Seasonal worker recommendations did not make the list of priority recommendations.

Further discussion suggested that existing mechanisms to enhance transportation such as Ways to Work could be promoted through the Market and Outreach priority. Committee members agreed to find ways to ensure that rural needs, especially with regard to transportation, are somehow addressed.

### ***Simplification of grant application process***

Results of the focus groups and discussions of the Workforce Committee indicated that when funding is available, access seems limited by an application process viewed as difficult to understand and forms which are difficult to complete. Business owners are looking for a process that is consistent across the State within the same agency, with rules and application processes that are easy to understand.

The grant simplification recommendation finished in the lower half of the rankings for both short and long term goals, but was ranked fifth overall. Supporters of the recommendation representing both business and labor are in favor of a two-step approach that examines grant requirements in the short term and streamlines the process in the long term so that small businesses will be able to participate in worker training. This initiative was ranked as a priority recommendation. Given the similarity to other streamlining initiatives identified by the Technical Assistance and Government Regulations Committees, this recommendation will be implemented as part of a broader improvement initiative.

### ***Expand apprenticeship program***

The committee discussed the apprenticeship program and suggested an expansion of the target groups for apprenticeship programs to include high school graduates; disconnected youth; incumbent workers (to upgrade skills); and the unemployed. There was general consensus that an apprenticeship strategy should be linked to and focus on growing industries, such as IT, Healthcare, and Eco/Green/Energy Savings technology. The challenge noted was that federal funding is necessary to revitalize and grow any apprenticeship program.

The committee discussion focused on how to get more people involved and how to shorten the “apprenticeship” time, which can last up to 5 years in some union trades. Several members recommended a certificate versus apprenticeship program, where the success of the program is performance versus time based. Committee members listed the following aspects of a successful certificate program: identification of industry skills needs; creation of a certificate program which supports those needs; and assurance that participants’ competency meets performance requirements to earn the certificate. It was noted that some industries have developed certificate programs as well to ensure a pipeline of employees with critical skills. A variety of program delivery mechanisms were identified. Certificate programs can work well in traditional school settings or online to build skills of those who cannot attend in person.

It was pointed out that younger agricultural workers could use a certificate program. This program would allow them to learn and advance in the agricultural field and addresses the issue of an aging family farm owners population. An aging population affects many small businesses in sectors other than agriculture, and this issue led members to discuss how to prepare younger people to take advantage of entrepreneurial opportunities.

The need to expand apprenticeships and to develop certificate programs was rated highly as a long term strategy and in the overall rankings. The committee prioritized it as one of its recommended initiatives.

### ***Use Sector Strategy to align economic development with workforce development to build economic vitality***

Several common themes emerged during conversations of the discussion points: the need to align workforce and economic development initiatives, the focus on critical industry sectors to drive economic growth, the need for employer feedback on their workforce skills needs, and the need for feedback mechanisms to provide opportunities for continuous improvement and measurement of progress. The State is involved in the National Governors Association Center for Best Practices' State Sector Academy, which incorporates these themes in its sector strategies.

The Workforce Committee recognized that several of its recommendations would benefit as a result of sector strategies implementation. The committee believed there was a benefit in building partnerships among employers, training providers, community organizations, and other stakeholders in key industries to address the workforce and growth needs of employers and the training, employment, and career advancement needs of workers. There was consensus to build on existing efforts and to make sector strategies one of the prioritized recommendations.

### ***Increase On-the-Job Training Opportunities***

The Committee spent considerable time discussing the importance of a strengthened On-the-Job Training (OJT) component for small business. Members agreed that whatever proposals are adopted, additional oversight, safeguards, and evaluation must be put in place to ensure that OJT is not abused. It was pointed out that heretofore OJT was primarily a local option and while some jurisdictions use it well, others do not. It was suggested there was a benefit to supporting a strengthened OJT component throughout the State and to developing the trainers' ability to deliver training that is efficient and effective.

It was pointed out that the ability to travel to a job's location is a major issue, especially in rural areas where farmers who need workers are geographically split from the pool of potential workers who live in urban areas. Several suggestions for transportation alternatives such as Wheels to Work and Ways to Work were mentioned as partial solutions to this problem.

During the initial ranking of priorities, the OJT initiative ranked last. The cost of programs was a major concern for committee members who gave OJT a low rating. However, NYS DOL voiced support for improving the rating of the OJT recommendation based on the following: (1) NYS DOL expects a larger federal contribution to make implementation of a statewide OJT program financially feasible; (2) OJT is completed at the employer's site and is focused on the tasks to complete the job, so it addresses the needs of employers; and (3) NYS DOL is introducing a program with funding to provide the Technical Assistance necessary to raise program success levels.

The committee acknowledged the challenges facing implementation of an OJT program: ensuring the quality of training is improved; sustaining real job creation; and providing continuous funding after 2011, when it is expected that the large NYS WIA allocation will be cut in half.

Following this discussion, there was consensus to increase the rating of the OJT recommendation and make it one of the priority recommendations.

### ***Improving opportunities for youth in small business***

The Young Leaders Congress was created in 2007 to address Brain Drain/Brain Gain issues and to provide senior leadership with access to the voice of young professionals from across the State. The group has been working to implement programs that would increase Brain Gain and has received funding to launch a Regional Jobs and Internship portal. Aligning small business with this portal would provide the organizations with greater access to the young professional workforce and

would add increased linkages to local educators. Funding for the portal has already been identified and programming has begun.

Young professionals are only one possible population that could act as talent for small business. The committee discussed programs that would help link small businesses with low-income individuals in secondary school (or those who may have dropped out of secondary school). This population may be very interested in working in small businesses, especially in urban areas where access to these employers may be improved through mass transit. Yet, there are few programs which prepare youth for or encourage them to consider opportunities at these companies. NYS DOL discussed the positive results obtained from participation in summer youth programs, access to Career Zone as part of a career exploration curriculum, and implementation of 1) a Youth Network to act as a single point of contact for NYS DOL, NYSED, OCFS, and other youth serving agencies and statewide youth initiatives and 2) an Educator Academy to advise teachers about how to use available Labor Market and Career Information.

The committee considered it important that these programs continue and expand as funding becomes available. In the longer term, the committee discussed the importance of providing 1) continued support of internships and apprenticeships; 2) additional support for teachers' professional development, including programs such as Teacher in the Workplace, and 3) increased participation in school-to-career programs such as job shadowing, mentoring, and career exploration for secondary students and drop-outs. In addition, based on research that highlights the gap between workplace literacy requirements and current workforce capability, the committee stressed the importance of including literacy skills as well as job readiness as components of these programs.

This initiative was rated highly by the committee. After discussion about potential funding sources and how these programs would directly benefit small business, the initiative was ranked as one of the priority recommendations.

### **Priorities**

Based on the background research conducted by the three Working Groups and the discussions of the Workforce Committee there were seven initiatives submitted as the top priority recommendations to address the needs of New York State small business. One – **simplify grant application processes** – will be included as part of a larger initiative focused on streamlining agency business processes.

Of highest importance was the need to implement **Lay-Off Aversion programs** that would help small and medium-sized businesses by providing them with technical assistance, access to turnaround consultants, and help investigating the feasibility of establishing an employee stock ownership plan (ESOP). Ranked second was the need to **improve marketing and outreach for existing programs** offered by various agencies. Existing programs such as career fairs, labor market information, worker tax incentives, Shared Work opportunities could help larger numbers of businesses if organizations knew the programs existed and how they could be accessed.

The committee stressed the importance of aligning economic and workforce efforts to improve the economic climate in the State and supported the **implementation of sector-based strategies** especially in the areas of advanced manufacturing, health sciences, and energy conservation/green technologies. Because of the close alignment with businesses, the committee suggested using sector strategies to support the **expansion of apprenticeship strategies** and the implementation of certificate programs for critical occupations. Support for **statewide adoption of on-the-job training initiatives** was recommended considering the desire of small businesses to train their own employees. One caveat was expressed for this initiative – there must be strong

quality control safeguards to ensure that training supports development of critical skills leading to sustained employment.

To ensure a pipeline of skilled talent the committee recommended several **initiatives to improve opportunities for youth in small business** that build on existing programs and focus on three populations: impoverished youth aged fourteen to twenty-four, high-school drop outs, and post-secondary graduates. In the short term, the committee recommended continued support of summer youth employment programs and career exploration using NYS DOL's Career Zone. As the Young Leaders Congress' Regional Jobs and Internship Portal is implemented, the committee recommends including small business' job and internship opportunities for emerging post-secondary graduates. In the longer term, the committee recommended improving school-to-work youth programs by enhancing job sampling and after-school work opportunities; increasing access to summer youth employment; and offering greater pre-apprenticeship and internship opportunities. The committee also recommended supporting professional development of teachers through programs that build curriculum aligning work skills requirements with academic performance, for example Teacher in the Workplace and NYS DOL's Educator Academy.

Several initiatives were of great interest to the committee members, but were not included as high priorities at this time. The need to determine methodologies and procedures to assist businesses dependent on Part Time and Seasonal employees will be critical to the long-term success of these businesses, especially in areas where access to workers is limited in terms of geography (for example, rural settings where the potential available workers may live in urban settings). The importance of identifying transportation alternatives to enable workers to get to rural employment opportunities (especially for seasonal work) will be critical to the development of sustainable agribusiness in various locations throughout the State. Of specific importance to rural and some selected industries such as tourism, these two initiatives did not have as broad importance as the other initiatives. Nonetheless, committee members stress that these initiatives should continue to receive attention and resolution. Existing programs such as ABCD and Wheels to Work may act as important assets to reach employment opportunities in rural communities and may benefit from increased marketing and outreach.

There was interest in how subsidizing wage payments may act as part of a lay off aversion strategy for small and medium-sized businesses in at-risk industries. Because this initiative will require federal legislation, the committee did not feel it was as immediate an option as the other initiatives, and thus, the committee members did not advance it as a recommendation at this time. The research which demonstrates there are long term, positive benefits for employers and employees suggests this program may offer a viable alternative in the future if there are changes in the interpretation of WIA or UI regulations.

### **Conclusion**

No business can thrive without a skilled workforce. The Workforce Committee recommendations address the immediate needs of businesses to retain and train their existing skilled workers through lay-off aversion programs that provide technical assistance and options that may avert a business closing; increased outreach on existing programs; and alignment of youth summer employment and the Regional Jobs and Internship portal with small businesses. Longer term, the committee addresses the need for a workforce pipeline that would come prepared with ready-to-work skills supporting the diversity of business needs through On the Job Training programs and expanded youth employment programs leveraged by a sector strategy that aligns workforce and economic development efforts.

These recommendations build on programs funded through federal agencies. The Workforce Committee members believe these recommendations offer a significant return to the state by offering programs that address the workforce needs of small business and build a talent pipeline that supports both individual job attainment and advancement and small business competitiveness and growth.