



Finance Division The Council of the City of New York

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Report to the Committees on Finance and Small Business Services
on the Fiscal Year 2016 Executive Budget for the

Department of Small Business Services

May 20, 2015

Executive Budget Summary

- **Expense Budget:** The Department of Small Business Services' (SBS or the Department) budget for Fiscal 2016 totals \$242.1 million, \$95.4 million more than the Fiscal 2015 Adopted Budget of \$146.7 million.
- **Headcount:** The Executive Budget supports a workforce of 294 full-time positions (68 positions more than the Fiscal 2015 Adopted Budget.)
- **Executive Budget Changes:**
 - \$23.6 million in new needs for Business, Industrial and Neighborhood Support; and
 - \$68.8 million for other adjustments;
- **Notable Changes:** The Executive Budget for Fiscal 2016 includes \$1.5 million in baselined funding for Industrial and Manufacturing support, \$3.9 million for Neighborhood Commercial Corridors support, \$6 million for creating four new industry partnerships and workforce training programs, \$745,000 to support the economic potential of women entrepreneurs across the five boroughs and \$700,000 for a package of tools to help existing businesses, particularly small, independent retailers.
- **Citywide Savings Program.** Along with the Fiscal 2016 Executive Budget, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlines plans to reduce City spending by \$589 million in Fiscal 2015 and \$465.5 million in Fiscal 2016. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. SBS has proposed savings totaling \$100,000 in Fiscal 2016 through attrition.

SBS Overview

This report presents an analysis of SBS's Fiscal 2016 Executive Budget. The section below presents an overview of the agency's budget and how it has changed during the course of Fiscal 2015, followed by a review of the significant budget actions introduced in the Fiscal 2016 Executive Budget. Major issues related to the Department's budget are then discussed. Appendices 1 and 2 report the changes made to the Fiscal 2015 and Fiscal 2016 Budgets since Adoption of the Fiscal 2015 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2016 Preliminary Budget Report for the Department of Small Business Services at: <http://www.council.nyc.gov/html/budget/2016/Pre/sbs.pdf>

SBS Financial Summary						
<i>Dollars in Thousands</i>	2013	2014	2015	Executive Plan		*Difference
	Actual	Actual	Adopted	2015	2016	2015 - 2016
Spending						
Personal Services	\$18,017	\$18,498	\$18,061	\$21,446	\$22,162	\$4,101
Other Than Personal Services	132,323	183,812	128,601	329,202	219,894	91,293
TOTAL	\$150,340	\$202,310	\$146,662	\$350,648	\$242,056	\$95,394
Budget by Program Area						
Agency Administration and Operations	\$11,447	\$11,116	\$11,988	\$12,399	\$12,932	\$943
Business Development	10,261	14,015	8,530	82,246	13,582	5,052
Contract Svcs: Economic Development Corp	36,657	82,716	39,127	158,549	124,602	85,475
Contract Svcs: NYC&Co / Tourism Support	13,046	12,262	12,262	13,774	17,750	5,488
Contract Svcs: Other	13,149	17,891	17,018	24,364	12,013	(5,005)
Economic & Financial Opportunity: M/WBE	2,095	2,750	3,068	3,189	5,850	2,781
Economic & Financial Oppty: Labor Svcs	263	296	199	199	199	0
MO Film, Theatre, and Broadcasting	500	566	0	0	0	0
MO Industrial & Manufacturing Businesses	1,091	1,155	1,408	1,408	1,500	92
Neighborhood Development	4,719	4,040	7,847	6,705	6,680	(1,167)
Workforce Development: One Stop Centers	23,674	26,764	27,821	24,569	15,198	(12,623)
Workforce Development: Program Management	13,133	11,609	8,531	14,483	12,093	3,562
Workforce Development: Training	9,559	9,077	8,862	8,763	19,658	10,796
Workforce Development: WIB and Other	10,746	8,053	0	0	0	0
TOTAL	\$150,340	\$202,310	\$146,662	\$350,648	\$242,056	\$95,394
Funding						
City Funds			\$85,438	\$85,947	\$88,248	\$2,809
Other Categorical			8,656	11,050	56	(8,600)
State			0	2,522	125	125

<i>Dollars in Thousands</i>	2013	2014	2015	Executive Plan		*Difference
	Actual	Actual	Adopted	2015	2016	2015 - 2016
Federal - Community Development			\$13,055	\$166,079	\$109,109	\$96,054
Federal - Other			39,003	57,744	38,889	(114)
Intra City			510	27,305	5,630	5,120
TOTAL	\$150,340	\$202,310	\$146,662	\$350,648	\$242,056	\$95,394
Budgeted Headcount						
Full-Time Positions	209	215	226	279	294	68
TOTAL	209	215	226	279	294	68

*The difference of Fiscal 2015 Adopted Budget compared to Fiscal 2016 Executive Budget.

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The City's Fiscal 2016 Executive Budget totals \$78.3 billion, \$3.3 billion more than the Fiscal 2015 Adopted Budget of \$75 billion. For SBS, the Fiscal 2016 Executive Budget totals \$242.1 million (including City and non-City funds). This represents a large jump of \$95.4 million over the Fiscal 2015 Adopted Budget of \$146.7 million. The majority of the increase is in Other Than Personal Services (OTPS) funding for contracts with the New York City Economic Development Corporation (EDC) which are further discussed in that agency's briefing document.

Over half of SBS's budget rests in the contract services program area (63.8 percent). The workforce development program funds the City's Workforce1 One Stop Centers, program management, training and the Workforce Investment Board (WIB) which comprises approximately 19.4 percent of the Agency's budget. The remainder of the budget is split between Administration and Operations (5.3 percent), the Business and Neighborhood Development programs (8.4 percent), and the Economic & Financial Opportunity programs (2.5 percent). Mayor's Office (MO) of Film, Theatre, Broadcasting and Workforce Development, WIB, and Other have been funded in prior fiscal years but as of Adopted Fiscal 2015 they are no longer receiving funding.

Since the Fiscal 2015 Adopted Budget, several initiatives have impacted both the agency's budget and headcount for Fiscal 2015 and Fiscal 2016. For Fiscal 2015 these include \$17.5 million in new needs and \$186.5 million in other adjustments. In Fiscal 2016 these changes include \$34.7 million in new needs and \$117.1 million in other adjustments. Combined, the above actions bring the agency to its current budget amount of \$350.6 million for Fiscal 2015 and \$242.1 million for Fiscal 2016. (See Appendix 2 for a list of all budget actions since adoption.)

It should be noted that while the Department's Executive Budget for Fiscal 2016 shows a \$95.4 million increase from the Adopted Plan, the budget is \$108.5 million less than the current Fiscal 2015 budget.

Highlights of changes between the Executive 2016 and Adopted 2015 Budgets

- A \$3.3 million increase to fund the Division of Business Acceleration (DBA) for the Small Business First initiative. This initiative is a new inter-agency collaboration that will launch 30 initiatives intended to reduce the burden of regulation on small businesses and cut government bureaucracy to make it easier for New York City small businesses to start, operate, and thrive. This initiative has added 21 new positions to this program area.

- An \$85.5 million increase in funding due to various EDC contracts. The EDC is funded through a contract with SBS. For more information on the EDC's budget, please see the briefing paper on the EDC.
- A \$3.8 million increase in funding for a new neighborhood business support initiative which includes programs such as: merchant organizing; business attraction and retention; district marketing; supplemental sanitation; public space activation and streetscape improvements customized to the needs of each neighborhood.
- A \$2.14 million increase for new green jobs programs such as: Cool Roofs; Building Operators; and the Benchmarking Help Center. The Cool Roofs program sponsors the painting of one million square feet of rooftops white to reflect sunlight and reduce building energy use. The Green Building operators' training program is designed to improve the efficiency and the life span of building equipment.
- A \$5 million increase in one-time funding to keep the funding reserve for NYC & Co, the City's quasi-public tourism arm, at its standard funding level.
- A \$1.6 million allocation for a new MWBE Disparity Study to guide the agency on how to increase agency utilization of resources and to influence legislation and policy.
- An increase of \$1.4 million to implement the new and expanded services developed under the current Administration's MWBE Program Strategic Plan. The MWBE program endeavors to increase the number and capacity of certified MWBEs, increase the utilization of MWBEs in City contracting and to make it easier for MWBEs to access City contract opportunities.

Budget Response

- **Industrial Business Solutions Providers:** The Council called upon the Administration to fully fund IBSPs in the amount of \$1.4 million. The Administration complied with this request and the Executive Plan includes baseline funding of \$1.5 million from Fiscal 2016 to Fiscal 2019 for seven Industrial Service Providers to serve the industrial and manufacturing businesses.
- **Support Worker Cooperatives:** Worker cooperatives are businesses that are owned and managed solely by their employees and, therefore, help build assets and wealth among low-income individuals and communities as well as create entrepreneurs and community leaders. The Worker Cooperative Program supports these businesses through education and training resources which provide technical, legal and financial assistance. Last year the Council provided \$1.2 million to support this initiative and called upon the Administration to fully fund this initiative. However, no funding was added in the Executive Plan for worker cooperatives.

New in the Executive Budget

The key actions in the Executive Budget include:

- **Career Pathways.** The Executive Plan includes around \$6 million in Fiscal 2016 through Fiscal 2018 to create four new Industry Partnerships (industrial, construction, food, and retail) in addition to the two already established (health and technology) and expand training programs which provide ‘in-demand’ skills. The Department works with employers to assess skills gaps, develop training programs, connect trainees to jobs and collect feedback to improve the system.
- **Women Entrepreneurs (WE NYC).** The Executive Plan includes \$745,000 in Fiscal 2016 and \$740,000 annually in Fiscal 2017 through 2019 to support the economic potential of women entrepreneurs across the five boroughs, with a focus on underserved women and families. The funding will provide online and in-classroom training modules for women-owned businesses in different development stages, mentorship and networking, improved access to capital, and building business skills classes.
- **Industrial Business Support.** The Executive Plan includes baseline funding of \$1.5 million from Fiscal 2016 through Fiscal 2019 for seven Industrial Service Providers to serve industrial and manufacturing businesses. These services are designed to help providers increase revenue, lower operating costs and retain jobs. SBS manages the service delivery contracts for seven Industrial Business Providers.
- **Neighborhood Business Support.** The Executive Plan includes \$3.8 million in Fiscal 2016 and \$4.1 million annually in Fiscal 2017 through 2019 to set up a suite of commercial revitalization tools in partnership with community-based development organizations. Customized to the needs of each neighborhood, programs include merchant organizing, business attraction and retention, district marketing, supplemental sanitation, public space activation and streetscape improvements.
- **Existing Business Support.** The Executive Plan includes \$439,000 in Fiscal 2016 and \$436,000 annually in Fiscal 2017 through 2019 for a package of tools to help existing businesses, particularly small independent retailers. The services include training on how to navigate the commercial real estate environment, enhanced pro bono legal assistance, business assistance services delivered in partnership with a network of local partners (LDCs, CBDOs, BIDs), and a program to provide direct support for established businesses.
- **Workforce Development Build it Back Program.** The Executive Plan includes \$531,529 in Fiscal 2015, \$1.5 million in Fiscal 2016, and \$946,764 in Fiscal 2017 for a Sandy Recovery Workforce1 program that will connect qualified residents to job opportunities generated as a result of rebuilding efforts.

Appendix 1: SBS Fiscal 2016 Executive Budget Actions

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
SBS Budget as of the Fiscal 2016 Preliminary Plan	\$91,918	\$221,823	\$313,741	\$65,944	\$83,754	\$149,698
New Needs						
EDC Waterfront Inspections	\$0	\$0	\$0	\$3,000	\$0	\$3,000
Hurricane Sandy Business Loan and Grant Program	0	5,439	5,439	0	125	125
NYC & Co. Operating Funds	0	0	0	5,000	0	5,000
Mayor's Office of Environmental Remediation (OER) JumpStart Investigations and Cleanups	(290)	0	(290)	2,560	0	2,560
SBS Career Pathways	0	0	0	1,205	4,800	6,005
SBS Existing Business Support	0	0	0	439	0	439
SBS Industrial Business Support	0	0	0	1,500	0	1,500
SBS Neighborhood Business Support	0	0	0	3,854	0	3,854
SBS Online Leasing Tool & Guide	0	0	0	250	0	250
SBS Policy and Communications	0	0	0	77	0	77
SBS Support for Women Entrepreneurs	0	0	0	745	0	745
Subtotal New Needs	(\$290)	\$5,439	\$5,149	\$18,630	\$4,925	\$23,555
Other Adjustments						
2014 Hazardous Substance and Petroleum Grant	\$0	\$53	\$53	\$0	\$0	\$0
Arch Scope Funding	0	38,420	38,420	0	0	0
Career Pathways: Revenue Maximization	0	0	0	(320)	320	0
CDM Smith CIS	0	11,294	11,294	0	0	0
CEO Funding	0	0	0	3,549	0	3,549
CIS IBTS FY15	0	2,223	2,223	0	0	0
Collective Bargaining	146	0	146	150	0	150
EDC Community Development Block Grant (CDBG) Funding	0	532	532	0	13,494	13,494
EDC/OCME Architect Study	0	20	20	0	0	0
FTA Revenue Takedown	0	(590)	(590)	0	0	0
Fulton Corridor Revitalization	0	1,300	1,300	0	0	0
FY15 TAA Budget Increase	0	628	628	0	0	0
Efficiency Savings	(3,152)	0	(3,152)	(938)	0	(938)
FY16 City Council January Plan Changes	6	0	6	0	0	0
Gov Island FTA Sandy Sois FY15	0	542	542	0	0	0
Green Building Surplus Rollover	(781)	0	(781)	156	0	156
Heat, Light and Power	143	(213)	(70)	732	(114)	618
Mayor's Office of Housing Recovery Operations (HRO) Funding	0	(19,703)	(19,703)	0	37,000	37,000
Intra City Funding	0	564	564	0	0	0
NYC & Co Funding Reallocation	(488)	0	(488)	488	0	488
NYC EDC - The Inspection of Wat	0	760	760	0	0	0
Mayor's Office of Environmental Remediation (OER) Funding	0	923	923	0	0	0
One Stop Waterfront Permitting	0	132	132	0	125	125
Pavement Management System	0	195	195	0	0	0

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
Raise Shorelines EDC CD	\$0	\$5	\$5	\$0	\$14,117	\$14,117
SBS Benchmarking Help Center	(207)	0	(207)	0	0	0
SBS Cool Roofs Program Funding	(782)	0	(782)	173	0	173
SBS Small Business First Reallocation	(229)		(229)	229	0	229
TGI Water Payment and Infrastructure Upgrade	(337)	0	(337)	(545)	0	(545)
EDC Staff Time	0	353	353	0	187	187
Subtotal Other Adjustments	(\$5,680)	\$37,438	\$31,758	\$3,674	\$65,129	\$68,803
TOTAL All Changes	(\$5,970)	\$42,877	\$36,907	\$22,303	\$70,054	\$92,357
SBS Budget as of the Fiscal 2016 Executive Plan	\$85,948	\$264,700	\$350,648	\$88,247	\$153,808	\$242,055

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Appendix 2: SBS Budget Actions since Fiscal 2015 Adoption

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
SBS Budget as of the Fiscal 2015 Adopted Plan	\$85,438	\$61,224	\$146,662	\$48,171	\$42,050	\$90,221
New Needs						
Advanced Solar Power programs with CUNY	\$57	\$0	\$57	\$57	\$0	\$57
Building Performance Study	619	0	619	0	0	0
EDC Clean Technology Incubators	2,503	0	2,503	575	0	575
NYC @ Co Reserve Funding	2,000	0	2,000	0	0	0
Mayor's Office of Environmental Remediation (OER)-Affordable Housing Bonus Cleanup Grants	330	0	330	440	0	440
Mayor's Office of Long-Term Planning and Sustainability (OLTPS) Funding	2,795	0	2,795	2,795	0	2,795
SBS Funding Adjustment	150	0	150	150	0	150
Minority and Women-owned Business Enterprise (MWBE) Funding	1,595	0	1,595	1,470	0	1,470
Mayor's Office of Environmental Remediation Brownfield Incentive Program (OER BIG) Funding	0	0	0	1,925	0	1,925
Mayor's Office of Environmental Remediation (OER) JumpStart Cleanups and Investigations	(290)	0	(290)	2,560	0	2,560
Small Business First	1,663	0	1,663	3,080	0	3,080
TGI Electricity	650	0	650	676	0	676
EDC Waterfront Inspections	0	0	0	3,000	0	3,000
Hurricane Sandy Business Loan and Grant Program	0	5,439	5,439	0	125	125
NYC & Co. Operating Funds	0	0	0	5,000	0	5,000
SBS Career Pathways	0	0	0	1,205	4,800	6,005
SBS Existing Business Support	0	0	0	439	0	439
SBS Industrial Business Support	0	0	0	1,500	0	1,500
SBS Neighborhood Business Support	0	0	0	3,854	0	3,854
SBS Online Leasing Tool & Guide	0	0	0	250	0	250
SBS Policy and Communications	0	0	0	77	0	77
SBS Support for Women Entrepreneurs	0	0	0	745	0	745
Subtotal New Needs	\$12,073	\$5,439	\$17,512	\$29,798	\$4,925	\$34,723
Other Adjustments						
1-4 Family Insurance Study	\$0	\$950	\$950	\$0	\$0	\$0
AKRF EAS	0	300	300	0	0	0
BLGP Loan & Grant	0	18,000	18,000	0	0	0
Bus Workforce Program	0	7,824	7,824	0	0	0
CSX Locomotive National Clean	0	1,000	1,000	0	0	0
EAS - Berger and Parsons	0	100	100	0	0	0
FY15 NEG Parks (ISRP) & Admin	0	6,396	6,396	0	0	0
PS Adjustments	139	0	139	177	0	177
Small Firm Assistance Rollover	0	1,817	1,817	0	0	0

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
Take the HELM	\$0	\$273	\$273	\$0	\$0	\$0
Total FY 13, 14 EDC FEMA Need	0	2604	2604	0	0	0
Business Prog Planning Admin	0	288	\$288	0	0	0
CD Transfer for Non-Union Employees	0	4	\$4	0	5	5
Connect NYC	0	1636	1636	0	0	0
FY15 TAA Budget	0	787	787	0	0	0
Hudson Yards Park Block 4	0	2,394	\$2,394	0	0	0
KPMG Accrual	0	65	65	0	0	0
Minority and Women-owned Business Enterprise (MWBE) Disparity Study	(1,500)	0	(1500)	1,500	0	1500
2014 Hazardous Substance and Petroleum Grant	0	53	53	0	0	0
KAM & OMEGA Asbestos Amendment	0	5,652	5,652	0	0	0
Career Pathways: Revenue Maximization	0	0	0	(320)	320	0
CDM Smith CIS	0	11,294	11,294	0	0	0
CIS IBTS FY15	0	2,223	2,223	0	0	0
EDC/OCME Architect Study	0	20	20	0	0	0
FTA Revenue Takedown	0	(590)	(590)	0	0	0
Fulton Corridor Revitalization	0	1,300	1,300	0	0	0
FY15 TAA Budget Increase	0	628	628	0	0	0
Green Building Surplus Rollover	(781)	0	(781)	156	0	156
Heat, Light and Power	143	(213)	(70)	732	(114)	618
NYC & Co Funding Reallocation	(488)	0	(488)	488	0	488
NYC EDC - The Inspection of Wat	0	760	760	0	0	0
One Stop Waterfront Permitting	0	132	132	0	125	125
Pavement Management System	0	195	195	0	0	0
Raise Shorelines EDC CD	0	5	5	0	14,117	14,117
SBS Benchmarking Help Center	(207)	0	(207)	0	0	0
SBS Small Business First Reallocation	(229)	0	(229)	229	0	229
TGI Water Payment and Infrastructure Upgrade	(338)	0	(338)	(545)	0	(545)
Collective Bargaining	266	28	294	268	24	292
EDC Staff Time	0	353	353	0	234	234
Mayor's Office of Environmental Remediation (MOER) Funding	(4,810)	1,605	(3,205)	4,810	0	4,810
NYC Housing Recovery Office (HRO) Funding	0	25,434	25,434	0	37,000	37,000
Arch Scope Funding	0	38,945	38,945	0	0	0
EDC Efficiency Savings	(3,152)	0	(3,152)	(938)	0	(938)
RISE Program	0	4,916	4,916	0	11,200	11,200
SBS Cool Roofs Funding	(682)	0	(682)	173	0	173
City Council Member Items	(418)	0	(418)	0	0	0
Intra City Funding	0	17,902	17,902	0	0	0
CEO Funding	490	0	490	3,549	0	3,549
Funding for Resiliency Programs	0	433	433	0	382	382
Hurricane Sandy Related Funding	0	7,224	7,224	0	0	0

<i>Dollars in Thousands</i>	Fiscal 2015			Fiscal 2016		
	City	Non-City	Total	City	Non-City	Total
Insurance	\$0	\$830	\$830	\$0	\$0	\$0
Coastal Protection Planning	0	10,160	10,160	0	29,430	29,430
Community Development Block Grant (CDBG) Funding	0	24,311	24,311	0	14,110	14,110
Subtotal Other Adjustments	(\$11,566)	\$198,037	\$186,472	\$10,279	\$106,833	\$117,112
TOTAL All Changes	\$507	\$203,477	\$203,984	\$40,076	\$111,758	\$151,834
SBS Budget as of the Fiscal 2016 Executive Plan	\$85,947	\$264,700	\$350,647	\$88,247	\$153,808	\$242,055

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