

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on Small Business Services
on the Fiscal 2020 Executive Plan for

Department of Small Business Services

May 16, 2019

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Department of Small Business Services Overview

This report presents a review of the Department of Small Business Services (SBS) Fiscal 2020 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2019, followed by a review of the significant budget actions introduced in the Fiscal 2020 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2019 and Fiscal 2020 Budgets since Adoption of the Fiscal 2019 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2020 Preliminary Budget Report for SBS at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2019/03/801-Small-Business-Services-2020.pdf>

Below is a summary of key funding changes by program area and source when comparing SBS's Fiscal 2020 Executive Budget to its Fiscal 2019 Adopted Budget.

SBS Financial Summary						
<i>Dollars in Thousands</i>	2017	2018	2019	Executive Plan		*Difference
	Actual	Actual	Adopted	2019	2020	2019 - 2020
Spending						
Personal Services	\$22,852	\$23,624	\$29,346	\$26,482	\$30,345	\$999
Other Than Personal Services	237,130	243,537	255,520	287,149	158,606	(96,914)
TOTAL	\$259,982	\$267,161	\$284,866	\$313,631	\$188,951	(\$95,915)
Budget by Program Area						
Agency Administration and Operations	13,323	14,671	19,234	18,901	13,663	(\$5,571)
Business Development	57,644	70,904	64,547	68,349	15,147	(\$49,400)
Economic Development Corp	77,277	62,648	48,505	83,257	35,047	(\$13,459)
NYC&Co / Tourism Support	21,161	21,162	21,162	20,950	20,730	(\$432)
Contract Svcs: Other	19,519	18,584	17,593	20,150	16,260	(\$1,332)
Economic & Financial Opportunity: M/WBE	7,016	7,157	8,791	8,451	7,348	(\$1,444)
Economic & Financial Oppty: Labor Svcs	0	149	0	0	0	\$0
Neighborhood Development	9,245	10,272	20,418	12,184	7,438	(\$12,980)
Workforce Development	49,676	56,494	84,616	81,388	73,319	(\$11,297)
Workforce Development: One Stop Ctr	5,120	5,120	0	0	0	\$0
TOTAL	\$259,982	\$267,161	\$284,866	\$313,631	\$188,951	(\$95,915)
Funding						
City Funds			\$209,793	\$200,557	\$134,059	(\$75,734)
Other Categorical			301	9,168	630	329
State			2,000	2,229	2,041	41
Federal - Community Development			21,147	27,038	11,414	(9,733)
Federal - Other			48,047	60,943	40,248	(7,799)
Intra City			3,578	13,696	560	(3,019)
TOTAL	\$259,982	\$267,161	\$284,866	\$313,631	\$188,951	(\$95,915)
Budgeted Headcount						
Full-Time Positions - Civilian	267	256	376	283	327	(49)
TOTAL	267	256	376	283	327	(49)

*The difference of Fiscal 2019 Adopted Budget compared to Fiscal 2020 Executive Budget.

The Department's Fiscal 2020 Executive Budget is decreasing by \$95.9 million across all program areas, when compared to the Fiscal 2019 Adopted Budget. This overall decrease is driven by a range of factors including the reduction in economic development contract services, the absence of one-time City Council discretionary funding, hiring freeze savings and absence of NYC School Bus Grant Program funding.

Program/Action	Headcount Changes
Construction Safety Training initiative	(17)
Career Pathway Metrics	4
Community Development Block Grant Disaster Recovery (CDBG-DR) funding	(7)
Agency Vacancy Reduction Initiative	(7)
Center For Economic Opportunity (CEO) Initiatives	(3)
Support for Small Business Love Your Local (LYL)/Commercial Lease Assistance (CLA) Initiative	(4)
Mayor's Office of Preservation & Development (MOPD) ICD Collaboratives LLC	1
Discretionary Management initiative	8
Agency Revenue Analyst	1
PTAC Grant	1
Hiring Freeze Savings	(26)
Net Changes	(49)

There is a reduction of net four positions reflected in the Executive Budget when compared to the Preliminary Budget. The Executive Budget includes a hiring freeze resulting in a decline of 26 positions offset by restoration in 13 positions for the Career Pathways initiative and two for CEO initiatives. Additionally, the Executive Budget includes four additional positions for Career Pathways Metrics and one additional position for PTAC grant that was not part of the Preliminary Budget.

New in the Executive Budget

SBS’s Fiscal 2020 Executive Budget introduces \$16.6 million in new needs and a decrease of \$1.6 million in Other Adjustments in Fiscal 2020. These include the following.

New Needs

- Mayor's Office for People with Disabilities.** The Fiscal 2020 Executive Plan includes \$143,750 in Fiscal 2020, \$335,983 in Fiscal 2021 and \$347,400 in Fiscal 2022 and 2023 for two positions to manage NYC: ATWORK initiative. This is an initiative that builds partnerships and expands coalitions by connecting people with disabilities who are unemployed or underemployed to meaningful, living wage jobs across the five boroughs. This initiative focuses on creating a centralized pipeline of talented candidates, including transitioning youth, college students, graduates and recipients of state vocational rehabilitation services.
- Career Pathways.** The Fiscal 2020 Executive Plan includes \$7.1 million in Fiscal 2020 for Career Pathways. Career Pathways was initially funded in Fiscal 2016 for three years with the intent of improving the NYC Workforce system by creating and implementing a Career Pathways Workforce Development Plan. The program is intended to build skills, increase job quality and improve system and policy coordination and its areas of focus are technology, healthcare, industrial and construction sectors.

Other Adjustments

- **Career Pathways Metrics.** The Fiscal 2020 Executive Plan includes a decrease of \$1.3 million in Fiscal 2020 and an increase of \$864,650 in Fiscal 2021 and \$470,700 in Fiscal 2022 for workforce development career pathways metrics alignment for both Personal Services (PS) and Other Than Personal Services (OTPS) funding. This includes an increase of four new employees for Fiscal 2020 to 2022. Conversely, the Fiscal 2020 Workforce Green Jobs funding was reduced by \$2.2 million to fund this program.
- **Office of Economic Opportunity (OEO) Funding Adjustment.** The Fiscal 2020 Executive Plan includes \$599,000 in Fiscal 2020 for the OEO budget. OEO's budget is comprised of PS funding of \$227,000 and OTPS funding of \$372,000. The OEO advances research, data and design in the City's program and policy development, service delivery, and budget decisions. Its work includes analyzing existing anti-poverty approaches, developing new interventions, facilitating the sharing of data across City agencies, and assessing the impact of key initiatives.

Savings

- **Business Services Savings.** The Fiscal 2020 Executive Plan includes a reduction of \$2.3 million in Fiscal 2019 for the School Bus Grant program. SBS was authorized to establish a grant program in relation to the employment of school bus drivers, attendants, dispatchers and mechanics that contracted with DOE to provide transportation services to K-12 students. The program has identified lower planned projected spending. The agency anticipates that the proposed reduction will not adversely impact this program that supports the employment of experienced school bus workers impacted by changes in the Department of Education's contracts for school bus transportation.
- **Hiring Freeze Savings.** The Fiscal 2020 Executive Plan includes a reduction of \$702,051 in Fiscal 2020 through 2023 in SBS as a result of a Citywide hiring freeze savings. This includes positions of 77 in Fiscal 2019, 26 in Fiscal 2020 and 29 in Fiscal 2021 through 2023.
- **NYC and Company Savings.** The Fiscal 2020 Executive Plan includes a reduction of \$212,000 in Fiscal 2019 and \$432,000 in Fiscal 2020 in NYC and Company as a result of efficiency savings. NYC and Company is the City's official marketing, tourism and partnership organization.
- **Personal Services Savings.** The Fiscal 2020 Executive Plan includes a reduction of \$2.8 million in Fiscal 2019 as a result of vacant positions for January 2019 through June 2019.
- **Workforce Division Savings.** The Fiscal 2020 Executive Plan includes a reduction of \$1.6 million in Fiscal 2019 in the Green Jobs Program. According to SBS, the current demand for the Green Job initiative has been lower than what was originally planned and that the reduction in funding will not adversely impact the program. This program trains workers with new skills needed for the emerging climate-smart economy.

Fiscal 2019 Preliminary Budget Response

The Council's Response to the Mayor's Fiscal 2020 Preliminary Budget included recommendations for SBS concerning headcount.

Reduce Headcount (Expand Hiring Freeze)

The Council urged the Administration's to temper the expansion of personal services (PS) spending through hiring freezes and vacancy reductions in recent fiscal years including 70 vacant positions at SBS, among others.

In Fiscal 2019, the agency's actual headcount every month has been under its plan by over 100 positions and has been consistently below planned headcount for the last few years. At the Preliminary Budget Hearing the Commissioner testified that SBS was below plan by 70 of that time. The Council asserted that the majority of these positions would likely remain vacant in Fiscal 2020 due to capacity constraints.

In the Executive Budget, the agency reduced the planned headcount from 360 to 283, a total of 77 positions. Currently, the planned headcount of 283 positions, is 19 more than the actual headcount of 264 positions. The reduction in planned headcount is 26 positions in Fiscal 2020 and 29 in the out-years.

Budget Issues

The following section provides issues and concerns as it pertains to SBS's Executive Budget.

- The Fiscal 2019 Executive Plan included \$41.8 million in Fiscal 2019 for the School Bus program to support the employment of experienced school bus workers impacted by changes in the Department of Education's contracts for school bus transportation. The program was authorized by Local Law 44 of 2014, which the Council enacted at the request of the de Blasio Administration. The legislation authorized SBS to establish a grant program in relation to the employment of school bus drivers, attendants, dispatchers and mechanics that contracted with DOE to provide transportation services to K-12 students.

The Fiscal 2020 Executive Plan does not include funding in SBS's budget for the School Bus Grant Program, which was implemented after Employee Protection Provisions, or EPPs, were removed from pupil transportation contracts. The Administration has consistently funded the school bus grant program since 2014, and the State has yet to authorize the City to include EPPs in our pupil transportation contracts. However, on May 3, 2019, the DOE released a request for bids (RFB) for pupil transportation services beginning in the 2019-20 school year; bids are due on May 29, 2019. This RFB includes employee protection provisions (EPPs) which historically had been included in pupil transportation contracts but were removed in 2013. DOE included EPPs in a pupil transportation RFB issued in December 2017, but DOE was prevented from opening these bids by a lawsuit challenging the legality of these employee protections.

Appendix 1: Fiscal 2019 and Fiscal 2020 Budget Actions since Fiscal 2019 Adoption

<i>Dollars in Thousands</i>	Fiscal 2019			Fiscal 2020		
	City	Non-City	Total	City	Non-City	Total
SBS Budget as of the Fiscal 2019 Adopted Budget	\$209,793	\$75,073	\$284,866	\$120,795	\$51,843	\$172,638
New Needs						
Career Pathways	\$0	\$0	\$0	\$7,120	\$0	\$7,120
Financial District and Seaport Climate Resilience Master Plan	0	0	0	5,000	0	5,000
GraffitiFree/ CleaNYC	0	0	0	3,100	0	3,100
Mayor's Office for People with Disabilities	0	0	0	144	0	144
OER Clean Stockpile	0	0	0	481	0	481
OER Jumpstart	0	0	0	710	0	710
Subtotal, Other Adjustments	\$0	\$0	\$0	\$16,555	\$0	\$16,555
Other Adjustments						
0708 FY19 Budget	\$0	\$8,600	\$8,600	\$0	\$0	\$0
130 CEDAR STREET RENT	0	104	104	0	0	0
19EDCFLOOD2	0	1,500	1,500	0	0	0
19EDCFLOOD3	0	534	534	0	0	0
Alignment	(249)	0	(249)	(249)	0	(249)
BC A215 Realignment	0	(6)	(6)	0	0	0
BNYDC FEMA Capital PM Adjust	0	1,378	1,378	0	0	0
BNYDC FEMA Fed Roll Increase	0	832	832	0	0	0
Collective Bargaining CD Adjustment	0	7	7	0	13	13
Collective Bargaining DR Adjustment	0	2	2	0	4	4
Collective Bargaining Tax Levy Adjustment	235	0	235	402	0	402
EDC - MOME BerkleenYC project	0	500	500	0	0	0
EDC GreeNYC Transfer	(61)	0	(61)	0	0	0
Eff Savings OTPS	0	0	0	(1,445)	0	(1,445)
Eff Savings OTPS WDD	(125)	0	(125)	0	0	0
Efficiency Savings - PS	(375)	0	(375)	0	0	0
FEMA 428 G5 Tompkinsville FY19	0	100	100	0	0	0
Flood Map - FY19 Funding	0	242	242	0	0	0
FY18 Push to FY19 1722	0	100	100	0	0	0
FY19 & OY PS AveNYC Increase	0	8	8	0	8	8
FY19 AveNYC Rollover	0	352	352	0	0	0
FY19 BREP State	0	92	92	0	0	0
FY19 Clean Diesel	0	220	220	0	0	0
FY19 Doris Grant	0	75	75	0	0	0
FY19 Doris Grant Extension	0	30	30	0	0	0
FY19 HSBLGP	0	98	98	0	0	0
FY19 ICD Grant Decrease	0	6	6	0	0	0
FY19 Increase for FY17 Accrual	0	1	1	0	0	0
Hammond Cove FY19 Funds	0	89	89	0	0	0
I/C EDC FY19	0	2,340	2,340	0	0	0
IC W/ EDC - EA Consultant	0	150	150	0	0	0
Media Lab SBS-MOME	0	500	500	0	0	0
MiNY Media Center+ Freelancers	0	1,155	1,155	0	0	0
MOER Savings - Jumpstart	(200)	0	(200)	0	0	0
MOER Z043 FY19	0	100	100	0	0	0
MOER Z047 FY19	0	67	67	0	0	0

<i>Dollars in Thousands</i>	Fiscal 2019			Fiscal 2020		
	City	Non-City	Total	City	Non-City	Total
MOER Z048 FY19	0	31	31	0	0	0
MOER Z053 FY19	0	165	165	0	0	0
MOER Z054 FY19	0	465	465	0	0	0
MOME/EDC Nightlife & Small	0	2,135	2,135	0	0	0
MOS Retrofit Accel	0	1,000	1,000	0	0	0
MOS-Retrofit Acce MOU w/ EDC	0	64	64	0	0	0
Pier 42 FY19 Budget	0	4,817	4,817	0	0	0
Retrofit	0	182	182	0	0	0
Staff Time FY19	0	190	190	0	706	706
TAA FY18 to FY19 Rollover	0	461	461	0	0	0
TGI FEMA Accrual Increase	0	591	591	0	0	0
Vacancy Reductions	0	0	0	(460)	0	(460)
Business Services Re-estimate	(512)	0	(512)	0	0	0
City Council Adjustments	(668)	0	(668)	0	0	0
Collective Bargaining CD	0	10	10	0	17	17
Collective Bargaining CTL	188	0	188	323	0	323
Collective Bargaining DR	0	3	3	0	5	5
DEP - EDC OneNYC Transfer	1,242	0	1,242	0	0	0
FY19 HRO Funding	0	2,555	2,555	0	0	0
Hunts Point Funding	0	600	600	0	147	147
MOPD Acces-VR	0	35	35	0	41	41
MOPD ICD Grant Renewal	0	42	42	0	30	30
OER Savings	(55)	0	(55)	(40)	0	(40)
Pier 42 Phase 1A Final Funds	0	400	400	0	0	0
PS efficiency savings - January Plan	(530)	0	(530)	0	0	0
Raise Shoreline	0	1,300	1,300	0	120	120
Re-estimate - Workforce Development	(487)	0	(487)	0	0	0
RISE Funding	0	4,504	4,504	0	1,543	1,543
SBS AECOM Budget Increase	0	741	741	0	0	0
SBS/EDC: FY23 Funding Takedown	0	0	0	0	0	0
Tech In Residence Cyber Corps	0	219	219	0	419	419
TGI Savings	(243)	0	(243)	(227)	0	(227)
19EDCFLOOD4	0	(615)	(615)	0	0	0
Academy Bus Contract	804	0	804	0	0	0
Career Pathways Metrics	0	0	0	(1,335)	0	(1,335)
CC Member Reallocation	(23)	0	(23)	0	0	0
CEDAR ST RENT & INSURANCE	0	110	110	0	0	0
Heat, Light and Power	(1,264)	2	(1,262)	272	(3)	270
Hurricane Sandy	0	2,676	2,676	0	0	0
I/C mod with EDC for pier 42	0	160	160	0	0	0
Lease Adjustment	0	0	0	2	0	2
OEO Funding Adjustment	0	0	0	599	0	599
RISE	0	(4,015)	(4,015)	0	0	0
Business Services Savings	(2,300)	0	(2,300)	0	0	0
Hiring Freeze Savings	0	0	0	(702)	0	(702)
NYC and Company Savings	(212)	0	(212)	(432)	0	(432)
PS Savings	(2,800)	0	(2,800)	0	0	0
Workforce Division Savings	(1,600)	0	(1,600)	0	0	0
Subtotal, Other Adjustments	(\$9,235)	\$38,005	\$28,770	(\$3,291)	\$3,050	(\$241)
TOTAL, All Changes	(\$9,235)	\$38,005	\$28,770	\$13,264	\$3,050	\$16,314
SBS Budget as of the Executive 2020 Budget	\$200,557	\$113,074	\$313,631	\$134,058	\$54,893	\$188,951