

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 2021 Executive Plan for

Department of Small Business Services

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Department of Small Business Services Overview

This report presents a review of the Department of Small Business Services' (SBS or the Department) Fiscal 2021 Executive Budget. The section below presents an overview of the Department's budget and how it has changed during the course of Fiscal 2020, followed by a review of the significant budget actions introduced in the Fiscal 2021 Executive Budget. Major issues related to the Department's budget are then discussed. Appendix 1 reports the changes made to the Fiscal 2020 and Fiscal 2021 Budgets since Adoption of the Fiscal 2020 Budget. For additional information on the Department's budget and its various programs, please refer to the Fiscal 2021 Preliminary Budget Report for SBS at: <https://council.nyc.gov/budget/wp-content/uploads/sites/54/2020/03/801-SBS.pdf>.

Below is a summary of key funding changes by program area and source when comparing SBS' Fiscal 2021 Executive Budget to its Fiscal 2020 Adopted Budget.

SBS Financial Summary						
	2018	2019	2020	Executive Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2020	2021	2020 - 2021
Spending						
Personal Services	\$23,624	\$23,927	\$29,830	\$28,461	\$28,210	(\$1,620)
Other Than Personal Services	243,537	220,622	206,348	368,965	132,623	(73,725)
TOTAL	\$267,161	\$244,549	\$236,178	\$397,426	\$160,833	(\$75,345)
Budget by Program Area						
Agency Administration and Operations	\$14,671	\$15,171	\$13,951	\$144,059	\$13,641	(\$310)
Business Development	70,904	59,671	21,595	65,091	10,573	(11,021)
Economic Development Corp	62,648	56,489	40,016	50,568	25,125	(14,890)
NYC&Co / Tourism Support	21,162	20,950	21,162	21,162	21,162	0
Contract Svcs: Other	18,584	16,692	16,260	16,739	15,109	(1,151)
Economic & Financial Opportunity: M/WBE	7,157	7,041	8,903	6,626	7,079	(1,824)
Econ & Fin Oppty: Labor Svcs	149	0	0	0	0	0
Neighborhood Development	10,272	11,158	18,610	11,517	7,190	(11,419)
Workforce Development	61,614	57,377	95,682	81,664	60,954	(34,728)
TOTAL	\$267,161	\$244,549	\$236,178	\$397,426	\$160,833	(\$75,345)
Funding						
City Funds			\$181,286	\$218,688	\$110,142	(\$71,144)
Other Categorical			630	425	364	(266)
State			2,041	2,050	2,000	(41)
Federal - Community Development			11,414	12,854	8,914	(2,500)
Federal - Other			40,248	157,757	38,854	(1,394)
Intra City			560	5,651	560	0
TOTAL	\$267,161	\$244,549	\$236,178	\$397,426	\$160,833	(\$75,345)
Budgeted Headcount						
Full-Time Positions - Civilian	256	288	323	324	303	(20)
TOTAL	256	288	323	324	303	(20)

*The difference of Fiscal 2020 Adopted Budget compared to Fiscal 2021 Executive Budget.

The Department's Fiscal 2021 Executive Budget is decreasing by \$75.3 million across all program areas when compared to the Fiscal 2020 Adopted Budget. This overall decrease is driven by a range of factors, including the absence of one-time City Council discretionary funding, hiring freeze savings and the absence of funding for agency programs such as Love Your Local, MWBE Bond Surety Fund, Green Jobs, Career Pathways, CUNY 2x Tech and Construction Safety Trainings.

Program/Action	Headcount Changes
Green Jobs Corps	(2)
Career Pathway	(13)
CUNY 2x Tech 100k Jobs Program	(1)
Mayor's Office of Preservation and Development (MOPD) NYC at Work ICD Collaboratives LLC	(1)
Silver Stars Savings	(1)
YMI Job Training	1
Hiring Freeze Savings	(3)
Net Changes	(20)

There is a reduction of 20 positions for SBS reflected in the Fiscal 2021 Executive Budget when compared to the Fiscal 2020 Adopted Budget as illustrated in the chart above. The majority are positions related to the Career Pathways program.

Agency’s Response to COVID-19

When the Preliminary Budget was released in January 2020, the City’s fiscal position was entirely different. During the intervening three months, the coronavirus disease or COVID-19 has ravaged our health-care system and our economy. As small businesses throughout the City face uncertainty as to their ability to endure through COVID-19, federal and City programs have been established to save small businesses. This briefing document lays out both the federal and the City programs. Applying for or receiving an SBS Loan does not disqualify clients for SBA loans affiliated with the CARES Act (PPP + EIDL). However, business owners cannot use the two different financing programs to pay the same expenses.

Beyond the loan and grant programs, the agency’s NYC Business Solutions Center experts are available to help businesses identify additional financing, including funding from the U.S. Small Business Administration (SBA) or local philanthropic financing if an organization is a nonprofit. Through the agency’s Commercial Lease assistance program businesses can get assistance with setting up payment plans with landlords.

To better serve the business community SBS has rapidly transitioned its existing programming, workshops, one-on-one technical assistance, and contractor compliance operations to remote service delivery. SBS’ workforce development centers are helping unemployed New Yorkers find jobs. The agency is working with the City’s ‘Food Czar’ Kathryn Garcia and her team to help grocers and other food system businesses recruit employees. To support the healthcare industry, SBS is working directly with nursing homes and community hospitals to provide support in filling urgent staff needs and to develop a home health aide training to meet the ongoing demand. Through the Workforce1 system, SBS is currently working with over 200 businesses to fill more than 3,000 positions across the City.

SBS has collaborated with the Mayor’s Office of Minority and Women-Owned Enterprises (OMWBE) and Mayor’s Office of Contracting Services (MOCS) to identify M/WBE firms that supply essential services such as medical staffing, IT goods, childcare services, cleaning services, and food services to connect these in-demand M/WBE firms with emerging contracting opportunities.

SBS keeps its partners and constituents informed through email correspondence, social media, advertising campaigns, and local and national print, television, and radio broadcast media. The agency

has created numerous resource pages with COVID-19-specific guidance for small business owners and jobseekers on its website.

City Funding Programs

- **NYC Business Continuity Loan Fund.** Businesses with fewer than 100 employees, seeing a decrease in sales up to 25 percent or more are eligible for zero interest loans up to \$75,000 to help mitigate losses in profit. Due to overwhelming interest in the NYC Business Continuity Loan Fund, SBS has paused application intake, as of April 8, 2020. While the loan was open, the agency received around 10,000 applications and are expecting to award about \$20 million in loans. Funding includes both private and federal funds. The agency is reviewing submitted applications on a first-come, first-served basis until funds are exhausted.
- **The NYC Employee Retention Grant Program.** The City is also offering eligible small businesses with fewer than five employees a grant to cover 40 percent of payroll costs for two months to help retain employees. Initially \$10 million was allotted for the grant program but was increased to \$39 million due to overwhelming demand all of which is federal funding. Awarded small businesses are receiving an average grant of \$7,800. The NYC Employee Retention Grant Program is no longer accepting applications.

Federal Funding Programs

- **Paycheck Protection Program (PPP).** The Coronavirus, Aid, Relief, and Economic Security Act (CARES Act) originally allocated about \$349 billion in federal funds for PPP, with an additional \$322 billion authorized by Congress in late April. This program is accessible to various types of employers, including small businesses, nonprofits, self-employed individuals, and independent contractors. PPP loans can be forgiven up to the value of eight weeks of payroll costs of up to \$100,000 per employee, rent and mortgage interest prior to February 15, 2020 and utilities. Loans are calculated per employer or per location and may be as high as 2.5 times the average monthly payroll for the one-year period before the loan application is submitted, to a cap of \$10 million.
- **Economic Injury Disaster Loan Program (EIDL).** This existing program provides economic relief for small businesses of fewer than 500 employees or otherwise meets SBA size standards, self-employed persons, independent contractors and nonprofits in the form of loans of up to \$2 million. To be eligible, entities must also demonstrate the ability to repay the loan. Interest rates are low (3.75 percent for small businesses and 2.75 percent for nonprofits) and feature long-term repayment plans of up to 30 years. The CARES Act expanded upon this program to provide a loan advance. Eligible entities that can show a temporary loss of revenue can receive an advance of up to \$10,000 upon successful application for an EIDL loan. That advance may be forgiven by the federal government.

Fiscal 2021 Preliminary Budget Response

The Council called upon the de Blasio Administration to take measure to stabilize the small business community impacted by COVID-19. Impacted small businesses must be able to survive until business activity resumes to normal levels. Businesses have certain bills that need to be paid whether or not they are operating, such as rent, utilities, loan payments, insurance costs, and taxes.

The Council called upon the Administration to continue targeted tax and municipal deferrals for small businesses until they can reopen and offset the cash flow crunch by calling on large corporations to prepay their taxes.

The existing small business loan assistance program needs to be expanded. Currently, SBS is offering small businesses with 100 employees or less that have experienced at least a 25 percent decrease in revenue as a result of COVID-19 an interest-free loan of up to \$75,000. The Council believes that the eligibility of this program should be broadened to reach more businesses and the maximum loan amount should be increased to \$250,000. SBS should continue to charge no interest on the loans, but with the help of the federal government, the City should be prepared to forgive some of this debt if necessary, to keep businesses afloat.

As part of the strategy to get loans out to the community, SBS should engage a wide-range of small community banks and community development finance institutions that will ensure that language and cultural differences do not become barriers to accessing this aid. It is imperative to expedite the processing of these loans to get money out as quickly as possible to help prevent permanent closures and save jobs.

Budget Risk

COVID-19 has had a catastrophic impact on economic markets and particularly small businesses and they will continue to need assistance beyond Fiscal 2020 to restart their operations once social distancing measures have been lifted. Both the NYC Business Continuity Loan Fund and the NYC Employee Retention Grant Program received an overwhelming response and have stopped taking applications leaving behind thousands of small businesses who were not able to secure funding in time. There is a strong need for expansion of funding. Furthermore, with the exception of SBS' Employee Retention Grant Program, which is only available for the smallest of City businesses (1-4 employees), almost all the funding available to businesses have taken the form of loans. There are concerns about whether the City's economy will strengthen quickly enough to satisfy the terms of these loans, and businesses might struggle to pay off the additional debt.

New in the Executive Budget

SBS' Fiscal 2021 Executive Budget introduces \$18.5 million in new needs in Fiscal 2020 and none in Fiscal 2021. The Plan also includes an increase of \$107.4 million in Other Adjustments in Fiscal 2020 and a decrease of \$1.6 million in Fiscal 2021. A portion of the SBS' Expense Budget goes to NYCEDC, funding non-capital related expenses, which are typically programs that NYCEDC executes on behalf of other agencies and are reflected in the budget actions. This reports highlights budget actions specific to SBS.

New Needs

- **NYC School Bus Grant Program - Employee Protection Provisions.** The Fiscal 2021 Executive Plan includes \$18.5 million in City funds for Fiscal 2020 to support the employment of experienced school bus workers impacted by changes in the Department of Education's contracts for school bus transportation. An equal amount of funding was also added in the Preliminary Plan. 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 Local Law expired on December 31, 2015. The funding in the past has supported one firm – Reliant Transportation.

Other Adjustments

- **COVID-19 Loan and Grant Program.** The Fiscal 2021 Executive Plan includes an increase of \$49 million in Fiscal 2020 for loan and grant programs in response to the pandemic. The NYC Business Continuity Loan Fund is \$20 million and includes \$10 million in federal funding and \$10 million in private funding. The NYC Employee Retention Grant Program was originally budgeted at \$10 million but because of overwhelming demand was increased to \$39 million, all in federal funding.
- **Workforce Innovation and Opportunity Act (WIOA).** The Fiscal 2021 Executive Plan includes \$9.8 million in Fiscal 2020 for Workforce Innovation and Opportunity Act (WIOA). WIOA is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy.

Savings

- **Indirect Cost Rate Initiative.** The Fiscal 2021 Executive Plan includes a reduction of \$233,000 in Fiscal 2020 for a citywide initiative to help its nonprofit contractors cover their indirect costs. This initiative standardizes cost definitions, indirect cost rate calculations and indirect cost rate claiming policies for health and human service contracts. Providers have over 12 months to establish and claim an indirect cost rate and make a funding request. The funding initiative covers all payment models, including rate-based, fee-based and milestone contracts.
- **Other Than Personal Services (OTPS).** The Fiscal 2021 Executive Plan includes a reduction of \$1 million in Fiscal 2020 as a result of OTPS underspending.

Appendix 1: Fiscal 2020 and Fiscal 2021 Budget Actions since Fiscal 2020 Adoption

<i>Dollars in Thousands</i>	Fiscal 2020			Fiscal 2021		
	City	Non-City	Total	City	Non-City	Total
Budget as of the Adopted 2020 Budget	\$181,286	\$54,893	\$236,179	\$112,005	\$50,767	\$162,772
New Needs						
Funding for the Indirect Cost Rate Initiative	\$622	\$0	\$622	\$622	\$0	\$622
Brick Village Demo	137	0	137	0	0	0
Disparity Study	0	0	0	200	0	200
Employee Protection Provisions	18,500	0	18,500	0	0	0
Maritime Inspections	300	0	300	0	0	0
New in Exec Budget: School Bus Grant Prog	18,500	0	18,500	0	0	0
Subtotal, New Needs	\$38,059	\$0	\$38,059	\$822	\$0	\$822
Other Adjustments						
20EDC001/12/13/14/15 and Flood2	\$0	\$4,988	\$4,988	\$0	\$0	\$0
Academy Bus Contract	615	0	615	0	0	0
Agency Phone Plan Review	(1)	(1)	(2)	(3)	(3)	(6)
Collective Bargaining CTL	6	0	6	7	0	7
EDC-DEP GreenNYC Media Tech Transfer	(12)	0	(12)	(100)	0	(100)
Freelancers Hub-MOME-EDC	0	575	575	0	0	0
FY20 BPREP City and State Rollover	0	2,513	2,513	0	0	0
FY20 HSBLGP TAA NDWG AveNYC Rollover	0	795	795	0	0	0
FY20 MOPD PS Increase	0	13	13	0	0	0
FY20-22 Tech in Res Cyber Inc	0	(217)	(217)	0	(69)	(69)
FY20-Film/TV Study EDC-MOME	0	645	645	0	0	0
1/C EDC FY20	0	80	80	0	0	0
MINY Media Center/Lab-EDC-SBS-MOME	0	550	550	0	0	0
SoHo-NoHo Facilitation	0	18	18	0	0	0
Solar Feasibility Study	0	217	217	0	0	0
Tompkinsville	0	3,502	3,502	0	0	0
Updated Spending Projections	(150)	0	(150)	(780)	0	(780)
YMI Initiatives	1,005	0	1,005	300	0	300
Brooklyn Navy Yard Sink Hole Assessment	42	0	42	0	0	0
City Council Member Items	92	0	92	0	0	0
FY20 CDBG-DR Align PS & OTPS	0	13	13	0	0	0
OEO Funding Adjustment	2,000	0	2,000	0	0	0
OTPS and PS Savings	(1,478)	0	(1,478)	(464)	0	(464)
Adjustments in the Executive Budget						
130 CEDAR STREET RENT AND INSU	\$0	\$224	\$224	\$0	\$0	\$0
20EDC017/20/21/22/23/28 & I/C EDC FY20	0	598	598	0	5	5
COVID funds to EDC	0	50,000	50,000	0	0	0
City Council Adjustment	43	0	43	0	0	0
COVID 19 Grant and Loan	0	49,000	49,000	0	0	0
FORT TILDEN	0	44	44	0	0	0
FY20 Increase for TAA Rollover	0	410	410	0	0	0
FY20 WIOA Realignment	0	9,806	9,806	0	0	0
Heat, Light and Power	(485)	(28)	(512)	567	(13)	553
Lease Adjustment	0	0	0	37	0	37
OEO Funding Adjustment	0	0	0	599	0	599
RETROFIT Grant	0	96	96	0	0	0
SBS Collective Bargaining Agreement	0	4	4	0	5	5
Silver Stars	0	0	0	(35)	0	(35)
YMI Employment	0	0	0	287	0	287
Graffiti Free NYC PEG	0	0	0	(3,100)	0	(3,100)
Indirect Cost Rate	(233)	0	(233)	0	0	0
OER Jumpstart and Stockpile Savings	(1,101)	0	(1,101)	0	0	0
OTPS Savings	(1,000)	0	(1,000)	0	0	0
Subtotal, Other Adjustments	(\$656)	\$123,844	\$123,187	(\$2,685)	(\$75)	(\$2,760)
TOTAL, All Changes	\$37,403	\$123,844	\$161,246	(\$1,863)	(\$75)	(\$1,938)
Budget as of the Executive 2021 Budget	\$218,688	\$178,737	\$397,426	\$110,142	\$50,693	\$160,833