



THE COUNCIL OF THE CITY OF NEW YORK

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HEARING ON THE FISCAL YEAR 2014 EXECUTIVE BUDGET FOR THE

DEPARTMENT OF SMALL BUSINESS SERVICES

May 17, 2013

EXECUTIVE BUDGET HIGHLIGHTS

- ☑ The Department of Small Business Services' (SBS) Fiscal 2014 Executive Budget is \$100.65 million, which is 26 percent or \$35.2 million less than the \$135.85 million in the Fiscal 2013 Adopted Budget.
- ☑ As part of Hurricane Sandy relief, SBS will manage \$72 million in Business loans and grants program from the \$1.77 billion Federal Community Development Block Grant-Recovery (CDBG-R) Program.
- ☑ Industrial Business Solution Providers (IBSPs): There is no funding for the IBSPs in Fiscal 2014. The program was funded at \$1.2 million in Fiscal 2013.
- ☑ **NEW NEEDS:**
 - Governors Island Operations: The Governors Island Operations will receive \$1.88 million in Fiscal 2014 and \$2.47 million in the out years to manage Governors Island.
 - SBS MWBE Local Law 1 Compliance: SBS will receive \$550,000 in Fiscal 2014 and \$450,000 in Fiscal 2015 to implement the MWBE Local Law 1 Compliance.
 - SBS Roosevelt Avenue Clean Up: SBS will receive \$75,000 in Fiscal 2013 and \$275,000 in Fiscal 2014 for the Roosevelt Avenue clean up.
- ☑ **OTHER ADJUSTMENTS:**
 - Workforce Investment Act (WIA) funding alignment: There would be a decrease of \$5.13 million in Fiscal 2014 and \$7.13 million in the out years as a result of the Department's re-alignment of the Federal WIA funding.
 - Sequester Impact on WIA: There is a decrease of \$2 million in Fiscal 2014 for the WIA program as a result of the Federal Sequestration.
 - Hurricane Sandy Federal Relief Funds: SBS received \$7.13 million in Fiscal 2013 as National Emergency Grants (NEG) from the U.S. Department of Labor for Hurricane Sandy relief.
 - CEO Adjustment: There is a decrease of \$300,000 in Fiscal 2014 for the Business Solutions Training as part of the Center for Economic Opportunity (CEO) funding adjustment.
 - EDC Red Hook/Midtown Community Courthouses Adjustments: There is a \$223,000 decrease in Fiscal 2014 and the out years for the Red Hook/Midtown Community Courthouses.

FINANCE DIVISION

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DEPARTMENT OF SMALL BUSINESS SERVICES OVERVIEW

This report provides an overview of the Department of Small Business Services' (SBS) Fiscal 2014 Budget and a review of the significant initiatives included in the Executive Budget. Appendices 1-2 report the changes made to the Fiscal 2013 and Fiscal 2014 Budget since adoption of the Fiscal 2013 Budget. For additional information on the Department's Budget and its various programs, please refer to the "Fiscal 2014 Preliminary Report" available at the Council's website.

FINANCIAL SUMMARY

	2012	2013		2014	*Difference
<i>Dollars in Thousands</i>	Actual	Adopted	Exec. Plan	Exec. Plan	2013-2014
Budget by Program Area					
MO Industrial & Manufacturing Businesses	\$1,242	\$1,156	\$1,094	\$0	(\$1,156)
Economic & Financial Opportunity: M/WBE	2,663	2,699	2,583	2,377	(323)
Economic & Financial Opportunity: Labor Services	667	780	780	780	0
Business Development	8,468	7,246	9,109	7,741	495
Neighborhood Development	3,857	5,712	6,248	2,787	(2,925)
Contract Services: Economic Development Corp. (EDC)	30,078	15,239	14,846	10,810	(4,428)
Contract Services: NYC & Company / Tourism	13,981	13,278	13,046	12,262	(1,017)
Contract Services: Other (including Governors Island)	16,016	19,908	21,595	11,355	(8,553)
Workforce Development: One Stop Centers	26,463	26,339	25,100	22,201	(4,137)
Workforce Development: Program Management	10,803	8,300	13,444	7,348	(951)
Workforce Development: Training	10,149	16,797	17,507	9,037	(7,760)
Workforce Development: WIB and Other	1,338	6,261	18,785	473	(5,788)
Agency Administration and Operations	11,907	12,137	12,097	13,480	1,343
TOTAL	\$137,633	\$135,853	\$156,234	\$100,653	(\$35,200)
Funding					
City Funds	N/A	\$84,826	\$75,716	\$58,586	(\$26,240)
-City Council Funds	N/A	(9,956)	0	0	(9,956)
Other Categorical	N/A	56	56	56	0
State	N/A	0	1,893	0	0
Federal - Community Development	N/A	2,481	2,840	2,481	0
Federal - Other	N/A	47,980	72,810	39,020	(8,959)
Intra City	N/A	510	2,919	510	0
TOTAL	N/A	\$135,853	\$156,234	\$100,653	(\$35,200)
Positions					
Full-Time Positions - Civilian	193	224	221	220	(4)
TOTAL	193	224	221	220	(4)

*The difference of Fiscal 2013 Adopted Budget compared to Fiscal 2014 Executive Plan.

NEW IN THE EXECUTIVE BUDGET

SBS' Fiscal 2014 Executive Budget reflects a \$35.2 million, or 26 percent, decrease when compared to the Fiscal 2013 Adopted Budget. At the time of Adoption in June 2012, the Fiscal 2014 Estimated Budget was approximately \$97 million, which was \$38.9 million less than the Fiscal 2013 Adopted Budget of \$135.9 million. Budget actions—composed of the Program to Eliminate the Gap (PEGs), New Needs, and Other Adjustments in the November 2012, February 2013 and the May 2013 Plans—added \$3.7 million to the Fiscal 2014 Executive Budget. The net \$35.2 million decrease between the Fiscal 2014 Executive Budget and the Fiscal 2013 Adopted Budget is, thus, a reflection of these budget actions (see Appendix 2).

The following are the major issues in the Fiscal 2014 Executive Budget:

BUSINESS RECOVERY HURRICANE SANDY FUNDS: As part of the \$1.77 billion Federal Hurricane Sandy relief funds, the City's Federal aid plan includes \$293 million¹ for Business Recovery, which would be used as follows:

- \$72 million for business loans and grants;
- \$90 million for investments in business resiliency;
- \$90 million for "Game-Changer Investment Competition" to reward innovative ideas for spurring economic development in hard hit areas; and
- \$41 million for a competition to develop resilient technologies.

The City will open the application process for the business loan and grant program on Monday, May 20th. SBS will oversee the business loans and grants program. Business owners will work directly with an account manager at the NYC Business Solutions Center to apply for loans of up to \$150,000 and matching grants of up to \$60,000. EDC will manage the resiliency efforts. EDC's President Seth Pinsky has been appointed Senior Advisor to the Mayor and also as Director of Mayor's Special Initiative for Rebuilding & Resiliency (SIRR).

INDUSTRIAL BUSINESS SOLUTION PROVIDERS (IBSPs). There is no funding for the IBSPs in Fiscal 2014. According to the Mayor's Office of Management and Budget (OMB), the funding for the IBSPs expired at the end of Fiscal 2011, and the Administration only allocated \$1.2 million for Fiscal 2012 and Fiscal 2013. Currently, there are 12 IBSPs serving the 16 IBZs. There are approximately 6,000 manufacturing and industrial businesses employing over 75,000 workers.

NEW NEEDS:

GOVERNORS ISLAND OPERATIONS. The Governors Island Operations will receive \$1.88 million in Fiscal 2014 and \$2.47 million in the out years. The increase in funding corresponds to an expected increase in costs associated with an expanded summer public access season, structural budget gaps, and the maintenance of new public open space slated to open October 2013.

SBS MWBE LOCAL LAW 1 COMPLIANCE. SBS will receive \$550,000 in Fiscal 2014 and \$450,000 in Fiscal 2015 to implement the MWBE Local Law 1 Compliance. Local Law 1 of 2013 was enacted to expand the existing MWBE program to allow for more certifications and encourage competition for higher-value

¹ The \$293 million Federal Hurricane Sandy funds were allocated after the Fiscal 2014 Executive Budget was released, and are, therefore, not reflected in the Fiscal 2014 Executive Budget OMB documents.

contracts by developing tools such as an expanded online directory for MWBEs. New tax levy funding was added to SBS' budget to pay for costs associated with the new Local Law 1 mandates.

SBS ROOSEVELT AVENUE CLEAN UP. SBS will receive \$75,000 in Fiscal 2013 and \$275,000 in Fiscal 2014 for the Roosevelt Avenue clean up. This is for supplemental sanitation services to Roosevelt Avenue from 82nd Street to 114th Street in Queens. This initiative is part of a neighborhood revitalization plan in association with the Business Improvement District's (BID) expansion efforts.

OTHER ADJUSTMENTS:

FEDERAL WORKFORCE INVESTMENT ACT (WIA) FUNDING RE-ALIGNMENT AND FEDERAL SEQUESTRATION IMPACT. There will be a decrease of \$5.13 million in Fiscal 2014 and \$7.13 million in the out years as part of a WIA funding re-alignment because SBS is anticipating reduced funding levels. SBS projects no programmatic impacts.

In addition, there is a decrease of \$2 million in Fiscal 2014 for the WIA program as a result of the Federal Sequestration. Sequestration is a series of automatic, across-the-board cuts to government agencies, totaling \$1.2 trillion over 10 years. The cuts are split 50-50 between defense and domestic discretionary spending. While the sequestration went into effect March 1, 2013, the City will not feel the impact of the sequestration until Fiscal 2014. SBS is working to identify areas in which to mitigate the impact, but should the full effect be felt, it is likely to be across the board for WIA-funded activities.

Overall, between the Adopted Fiscal 2013 Budget and the Executive Fiscal 2014 Budget, Federal WIA funding for SBS has decreased from \$37.3 million to \$28.5 million, which is a decrease of \$8.8 million or approximately 24 percent.

HURRICANE SANDY FEDERAL RELIEF FUNDS. In Fiscal 2013, SBS received \$7.13 million in National Emergency Grants (NEG) from the U.S. Department of Labor for emergency and humanitarian assistance. NEG funding is the Federal WIA funding that has specifically been purposed for Hurricane Sandy recovery efforts. Since SBS is a direct WIA recipient, the NEG funding is being disbursed through SBS to other city agencies.

CEO ADJUSTMENT. SBS' allocation of CEO funding for the Business Solutions Training was reduced by \$300,000. The NYC Business Solutions Customized Training can cover up to 70 percent of employee training costs. Trainees acquire new skills that both increase their compensation in their current jobs and their employability and earning power over the long term.

EDC RED HOOK/MIDTOWN COMMUNITY COURTHOUSES ADJUSTMENTS. There is a \$223,000 decrease in Fiscal 2014 and the out years for the Red Hook/Midtown Community Courthouses. The contract between EDC and the operator of the Courthouses expires at the end Fiscal 2013. Beginning in Fiscal 2014, the programmatic and budget responsibilities for the Courthouses are being transferred to the Office of the Criminal Justice Coordinator, which is located at the City's Department of Corrections (DOC).

APPENDIX 1: BUDGET ACTIONS IN THE EXECUTIVE PLAN

<i>Dollars in Thousands</i>	Fiscal 2013			Fiscal 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of the Prelim Fiscal 2014 Plan	\$75,561	\$69,734	\$145,295	\$55,905	\$49,201	\$105,106
New Needs						
Governors Island Operations	\$0		\$0	\$1,876		\$1,876
MWBE Local Law 1 Compliance	0		0	550		550
Roosevelt Avenue Clean Up	75		75	275		275
TOTAL New Needs	\$75	\$0	\$75	\$2,701	\$0	\$2,701
Other Adjustments						
CEO Funding Adjustment	\$0		\$0	(\$300)	\$0	(\$300)
City Council Funding	40		40		0	0
EDC Red Hook / Midtown Community Courthouses Adjustment	0		0	(223)	0	(223)
EDC's North River PS Fee		109	109		0	0
Ferry Terminal Concession Admin		128	128		0	0
Funding for NEG DFTA		41	41		0	0
Intra City with EDC		468	468		0	0
Heat, Light, and Power	40	(8)	32	502	(2)	500
NYS REDC Grant		500	500		0	0
OGI - Seth Low / Hope Gardens		1,255	1,255		0	0
WIA: Sequester Impact	0		0		(2,000)	(2,000)
WIA Alignment	0		0	0	(5,131)	(5,131)
Taxicab of the Future		389	389		0	0
MOER US EPA 12 RLF Sub grants		200	200		0	0
NEG Disaster Funds		5,403	5,403		0	0
NEG Hurricane Sandy Increase		1,726	1,726		0	0
TAA Budget Increase	0	573	573		0	0
TOTAL Other Adjustments	\$80	\$10,784	\$10,864	(\$20)	(\$7,134)	(\$7,154)
TOTAL All Changes	\$155	\$10,784	\$10,939	\$2,680	(\$7,134)	(\$4,453)
Agency Budget as of the Exec Fiscal 2014 Plan	\$75,716	\$80,518	\$156,234	\$58,585	\$42,067	\$100,653

APPENDIX 2: BUDGET ACTIONS IN THE NOVEMBER, PRELIMINARY AND EXECUTIVE PLANS

<i>Dollars in Thousands</i>	Fiscal 2013			Fiscal 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of the Adopted Fiscal 2013 Plan	\$84,826	\$51,027	\$135,853	\$47,797	\$49,201	\$96,998
Program to Eliminate the Gap (PEGs)						
Clean Heat Initiative Savings	(\$383)		(\$383)	\$0		\$0
EDC East River Ferry Reduction	(167)		(167)	(196)		(196)
EDC Graffiti Removal Reduction	(31)		(31)	(49)		(49)
EDC High Tech Connect Reduction	(15)		(15)	0		0
EDC/Parks Workforce Development Reduction	(54)		(54)	0		\$0
New Business Acceleration Team	(110)		(110)	(165)		(165)
NYC & Company Contract Reduction	(717)		(717)	(1,036)		(1,036)
Red Hook and Midtown Community Courthouse Reduction	(13)		(13)	(19)		(19)
SBS City Council Funds	(492)		(492)	0		\$0
SBS Industrial Business Zones	(62)		(62)	0		0
SBS Layoffs	(35)		(35)	(70)		(70)
SBS OTPS Savings	(641)		(641)	(833)		(833)
SBS PS Funding Reallocation	(78)		(78)	(74)		(\$74)
SBS Salary Savings	(43)		(43)	(45)		(45)
SBS Vacancy Accruals	(90)		(90)	0		0
SBS Vacancy Eliminations	(161)		(161)	(335)		(335)
Trust for Governors Island Contract Reduction	(642)		(642)	(830)		(830)
TOTAL PEGs	(\$3,734)	\$0	(\$3,734)	(\$3,653)	\$0	(\$3,653)
New Needs						
Governors Island Operations	\$0		\$0	\$1,876		\$1,876
MWBE Local Law 1 Compliance	0		0	550		550
Roosevelt Avenue Clean Up	75		75	275		275
TOTAL New Needs	\$75	\$0	\$75	\$2,701	\$0	\$2,701
Other Adjustments						
ARRA NYC Solar Cities Roll	\$0	\$275	\$275		\$0	\$0
ARRA: EDC Cogen Feasibility	0	25	25		0	0
CD Rollover	0	337	337		0	0
Cedar Street Payment - NYPD	0	60	60		0	0
Fringe Benefits Offset - SBS Vacancy Eliminations PEG	38	0	38	66	0	66
LMDC Small Firm Assistance Roll	0	709	709		0	0
Smart Grid	0	2,486	2,486		0	0
TAA Budget Increase	0	400	400		0	0
Workforce MOU	0	22	22		0	0
CEO Funding Adjustment	0		0	3,549	0	3,549
City Council Funding	40		40		0	0
City Council Member Items	425		425		0	0
City Council Substitute NYC&Co	(100)		(100)		0	0
EDC Red Hook / Midtown Community Courthouses Adjustment	0		0	(223)	0	(223)

<i>Dollars in Thousands</i>	Fiscal 2013			Fiscal 2014		
	City	Non-City	Total	City	Non-City	Total
EDC's North River PS Fee		\$109	\$109		\$0	\$0
Ferry Terminal Concession Admin		128	128		0	0
Funding for NEG DFTA		41	41		0	0
Intra City with EDC		468	468		0	0
Heat, Light, and Power	40	(8)	32	502	(2)	500
NYS REDC Grant		500	500		0	0
OGI - Seth Low / Hope Gardens		1,255	1,255		0	0
WIA: Sequester Impact	0		0		(2,000)	(2,000)
WIA Alignment	0		0	0	(5,131)	(5,131)
Taxicab of the Future		389	389		0	0
East River Waterfront Esplanade		568	568		0	0
FY13 OTPS TGI Sandy		2,236	2,236		0	0
MOER Melrose Site		160	160		0	0
MOER NYS BOA Grant		825	825		0	0
MOER US EPA 06 Petroleum Grant		161	161		0	0
MOER US EPA 07 Haz Grant		190	190		0	0
MOER US EPA 07 Petroleum Grant		170	170		0	0
MOER US EPA 12 RLF		21	21		0	0
MOER US EPA 12 RLF Sub grants		200	200		0	0
NEG Disaster Funds		14,833	14,833		0	0
NEG Hurricane Sandy Increase		1,726	1,726		0	0
OER FY14 Rollover of Brownfield Fund, DEC Heating Oil Penalty and Grant Writing	(6,871)	0	(6,871)	7,496		7,496
TAA Budget Increase	0	1,007	1,007		0	0
US EPA Cleanup Grant	0	198	198		0	0
TOTAL Other Adjustments	(\$6,428)	\$29,491	\$23,063	\$11,391	(\$7,134)	\$4,258
PEG Restorations						
PEG Restoration - NYC & Company Contract Reduction	\$485	\$0	\$485	\$350	\$0	\$350
SBS City Council Funds - PEG Restoration	492	0	492	0	0	0
TOTAL PEG Restorations	\$977	\$0	\$977	\$350	\$0	\$350
TOTAL All Changes	(\$9,110)	\$29,491	\$20,381	\$10,789	(\$7,134)	\$3,656
Agency Budget as of the Executive Fiscal 2014 Plan	\$75,716	\$80,518	\$156,234	\$58,586	\$42,067	\$100,654

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