

**New York City Council**

Christine C. Quinn, Speaker

**Finance Division**

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

**Hearing on the Mayor's Fiscal Year 2012 Executive Budget**

**Department of Small Business Services (SBS)**

May 19, 2011

**The Committee on Finance**

Hon. Domenic M. Recchia, Jr., Chair

**The Committee on Small Business**

Hon. Diana Reyna, Chair

**Jointly with the Committee on Economic Development**

Hon. Karen Koslowitz, Chair

Latonia McKinney, Deputy Director

Shadawn Smith, Principal Legislative Financial Analyst

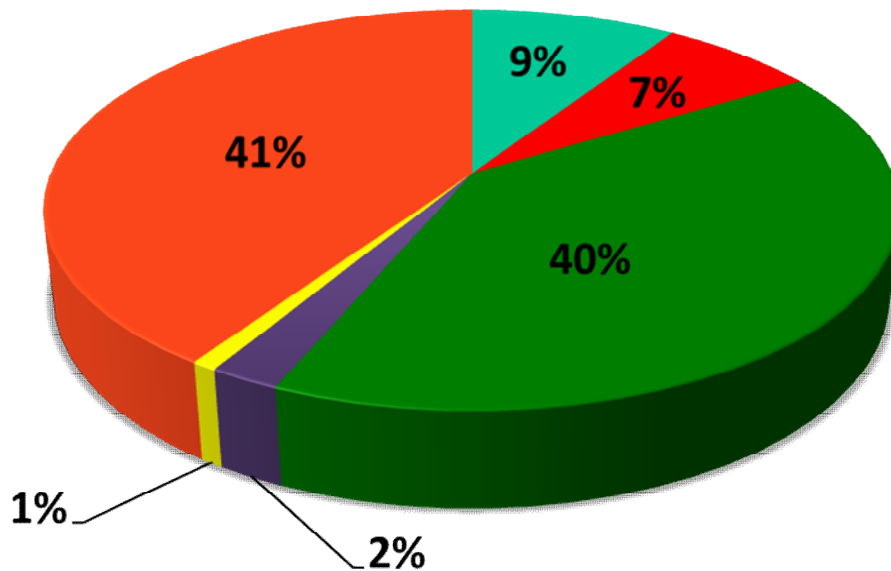
# Overview

The Department of Small Business Services (SBS) supports the formation and growth of the City's small businesses and promotes neighborhood development as well as oversees the City's adult workforce development program. SBS enhances services offered to the business community by working with other governmental agencies and public utilities.

<b>Department of Small Business Services Financial Summary</b>						
<i>Dollars in Thousands</i>						
	2009	2010	2011		2012	Difference
	Actual	Actual	Adopted	Exec. Plan	Exec. Plan	2011-2012*
<b>Spending</b>						
Personal Services	\$19,850	\$21,514	\$19,444	\$18,024	\$17,625	(\$1,819)
Other Than Personal Services	133,651	138,096	111,540	127,701	110,840	(700)
<b>TOTAL</b>	<b>\$153,501</b>	<b>\$159,610</b>	<b>\$130,984</b>	<b>\$145,725</b>	<b>\$128,465</b>	<b>(\$2,519)</b>
<b>Budget by Program Area</b>						
MO Industrial & Manufacturing Businesses	\$2,373	\$2,938	\$1,558	\$2,181	\$1,060	(\$498)
MO Film, Theatre, and Broadcasting	1,999	2,008	1,590	423	0	(1,590)
Economic & Financial Opportunity: M/WBE	3,041	2,815	2,080	2,497	2,166	86
Economic & Financial Oppty: Labor Services	781	553	781	716	780	(2)
Business Development	6,710	7,556	5,599	6,932	6,009	410
Neighborhood Development	6,742	8,507	7,082	8,045	3,064	(4,018)
Contract Services: Economic Development Corp	19,665	22,963	15,179	23,306	26,008	10,829
Contract Services: Empowerment Zone	14,655	0	100	0	0	(100)
Contract Services: NYC&Co / Tourism Support	19,557	18,031	15,322	15,197	14,267	(1,055)
Contract Services: Other (including Governor's Island)	1,612	7,635	12,668	11,984	11,189	(1,479)
Workforce Development: One Stop Centers	26,506	25,981	24,118	25,489	26,657	2,539
Workforce Development: Program Management	5,964	8,923	7,283	12,351	8,471	1,188
Workforce Development: Training	28,928	36,746	19,595	20,341	16,152	(3,443)
Workforce Development: WIB and Other	2,451	2,496	5,978	3,239	778	(5,201)
Agency Administration and Operations	12,507	12,459	12,052	12,976	11,866	(186)
<b>TOTAL</b>	<b>\$153,501</b>	<b>\$159,610</b>	<b>\$130,984</b>	<b>\$145,725</b>	<b>\$128,465</b>	<b>(\$2,519)</b>
<b>Funding</b>						
City Funds	N/A	N/A	\$76,065	\$67,812	\$69,266	(\$6,799)
<i>Memo: Council Funds</i>	N/A	N/A	9,755	9,655	0	(9,755)
Federal – CD	N/A	N/A	3,257	4,102	2,834	(423)
Federal – Other	N/A	N/A	50,501	65,301	55,006	4,505
Intra-City	N/A	N/A	55	5,150	10	(46)
Other Categorical	N/A	N/A	56	1,099	56	0
State	N/A	N/A	1,050	2,261	1,293	243
<b>TOTAL</b>	<b>\$153,501</b>	<b>\$159,610</b>	<b>\$130,984</b>	<b>\$145,725</b>	<b>\$128,465</b>	<b>(\$2,519)</b>
<b>Positions</b>						
Full-time Positions	254	243	253	224	219	(34)
<b>TOTAL</b>	<b>254</b>	<b>243</b>	<b>253</b>	<b>224</b>	<b>219</b>	<b>(34)</b>

### SBS Fiscal 2012 Executive Budget-\$128 million

- Agency Administration and Operations
- Business & Neighborhood Development
- Contract Services
- Economic & Financial Opportunity
- MO Industrial & Manufacturing Businesses
- Workforce Development



SBS' Fiscal 2012 Executive Budget is \$128 million. The workforce development program makes up approximately 41 percent, or \$52 million, of SBS' budget and funds the Workforce One Stop Centers, program management, training, and the Workforce Investment Board (WIB). The contract services program area makes up 40 percent, or \$51 million, of SBS' budget (see below for an additional breakdown of services). The Agency's administration and operations makes up 9 percent, or \$12 million, of SBS' budget and funds the office personnel from the executive, legal, finance, information technology, and administrative offices, and other than personal services such as office supplies, property, and equipment.

## Fiscal 2012 Executive Budget Actions

- ☑ The Fiscal 2012 Executive Budget reflects a \$2.5 million decrease when compared to the Fiscal 2011 Adopted Budget for SBS.
- ☑ The Executive Budget does not include approximately \$9.7 million in City Council funding (including funding for Council initiatives, Program to Eliminate the Gap [PEG] restorations, and local discretionary) that was included in the Fiscal 2011 Adopted Budget.
- ☑ The PEG program for SBS totals \$5.7 million for Fiscal 2012.

### Budget Actions in the Executive Plan

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as of the February 2011 Plan</b>	<b>\$70,608</b>	<b>\$73,861</b>	<b>\$144,471</b>	<b>\$65,687</b>	<b>\$58,553</b>	<b>\$124,240</b>
<b>Program to Eliminate the Gap (PEGs)</b>						
<b><i>SBS Direct Agency Expenses</i></b>						
SBS-PS Savings	\$0	\$0	\$0	(\$649)	\$0	(\$649)
SBS-Capacity Building Savings	0	0	0	(18)	0	(18)
SBS-Express Centers Savings	0	0	0	(220)	0	(220)
<b><i>SBS Contractual Services</i></b>						
EDC Community Court Savings	0	0	0	(11)	0	(11)
EDC Graffiti Free NYC	0	0	0	(154)	0	(154)
NYC & Co Contract Savings	0	0	0	(594)	0	(594)
EDC-PlaNYC/Office of Environ Rem Brownfields	0	0	0	(251)	0	(251)
Downtown Brooklyn Partnership Savings	0	0	0	(9)	0	(9)
Trust for Governors Island Savings	0	0	0	(457)	0	(457)
<b>Total, PEGs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,363)</b>	<b>\$0</b>	<b>(\$2,363)</b>
<b>New Needs</b>						
SBS-MWBE Mentoring	\$0	\$0	\$0	\$745	\$0	\$745
<b>Total, New Needs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$745</b>	<b>\$0</b>	<b>\$745</b>
<b>Other Adjustments</b>						
<b><i>SBS Direct Agency Expenses</i></b>						
SBS-Heat, Light, & Power	\$128	\$49	\$177	(\$686)	\$114	(\$573)
SBS-Increase TAA Budget	0	353	353	0	0	0
SBS-OSA Collective Bargaining	1	0	1	1	0	1
SBS-Vacancy Eliminations	0		0	30		30
Intracity	0	3,213	3,213	0	0	0
<b><i>SBS Contractual Services</i></b>						
EDC Contracts	(2,927)	438	(2,489)	5,853	456	6,308
Funding Extension for Avenue NYC	0	0	0	0	77	77
<b>Total, Other Adjustments</b>	<b>(\$2,798)</b>	<b>\$4,053</b>	<b>\$1,255</b>	<b>\$5,198</b>	<b>\$646</b>	<b>\$5,844</b>
<b>Total, All Changes</b>	<b>(\$2,798)</b>	<b>\$4,053</b>	<b>\$1,255</b>	<b>\$3,580</b>	<b>\$646</b>	<b>\$4,226</b>
<b>Agency Budget as of the Executive 2012 Plan</b>	<b>\$67,810</b>	<b>\$77,914</b>	<b>\$145,724</b>	<b>\$69,267</b>	<b>\$59,199</b>	<b>\$128,466</b>

## Agency Administration and Operations

This program area includes the administrative functions of SBS. Funding for Administration and Operations serves the agency across all program areas. This program area funds the office personnel from the executive, legal, finance, information technology, and administrative offices, and other than personal services such as office supplies, property and equipment.

The proposed budget for administration in Fiscal 2012 will decrease by \$667,000 for the two PEGs outlined below.

- ☑ **Personal Services Savings.** SBS would accrue \$649,000 in savings by keeping certain positions vacant, as well as eliminating positions through attrition and division changes.
- ☑ **Capacity Building Savings.** SBS would accrue \$18,000 in savings by not fulfilling staffing plans.

## Economic and Financial Opportunity: MWBE

The City's Minority and Women-Owned Business Enterprise (MWBE) foster the growth of the City's minority and women-owned businesses. The program certifies and recertifies businesses as MWBEs and provides procurement and technical assistance to better prepare MWBEs to win City contracts.

The proposed budget for MWBE in Fiscal 2012 will increase by \$1.395 million for two new needs outlined below.

- ☑ **MWBE Mentoring.** In the Executive Budget, SBS has a new need of \$745,000 to enhance its MWBE mentoring program. This is a three-year pilot program to help small construction firms grow. Firms will be selected through the creation of pre-qualified bidders lists and offered:
  - Management education training
  - Exclusive bidding on designated contracts
  - All other available support services (including bidding/proposal technical assistance)
  - Those awarded contracts will receive on-the-job training from a construction management firm
- ☑ **MWBE Capacity Building & Joint Venture Services.** In the Preliminary Budget, SBS proposed to hire a program manager for the MWBE (Minority and Women-owned Business Enterprises) Capacity-Building and Joint Venture Service. The funding of \$17,000 in Fiscal 2011 and \$440,000 in Fiscal 2012 and in the outyears will allow SBS to expand services provided by the Division of Economic and Financial Opportunity (DEFO) for the MWBE. With this funding, SBS will develop workshops to train MWBE clients on how to compete for contracting opportunities. SBS will also implement an initiative to encourage MWBE networking and the creation of joint ventures between various MWBE businesses.

### Workforce Development - One Stop Centers, Program Management, Training, and Workforce Investment Board (WIB) and Other

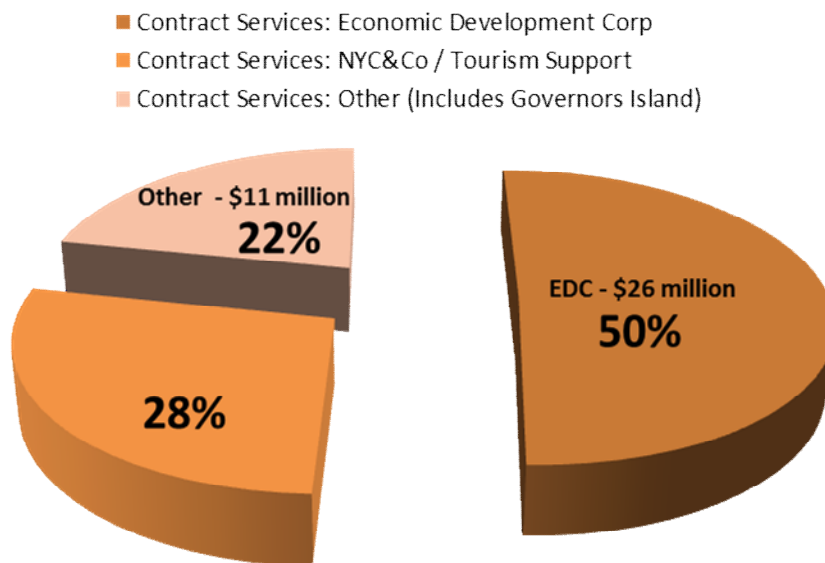
SBS currently operates the City’s nine Workforce1 Career Centers, which are located in the Bronx, Downtown Brooklyn, Long Island City and Jamaica, Queens, West Harlem, and Staten Island. The Workforce1 Career Centers provide job placement assistance, career advisement, job search counseling and referrals to skills training. SBS offers a range of training programs for adult jobseekers and dislocated workers, including services obtained through individual training grants.

The proposed budget for the Express Workforce Centers for Fiscal 2012 totals \$5.28 million, which includes new need funding outlined in the Preliminary Budget and a PEG in the Executive Budget.

- ☑ **Express Workforce Centers PEGs.** SBS proposes adjusting the proposed funding for the Express Workforce Centers by \$220,000 after assessing the staffing needs of the centers.
- ☑ **Express Workforce Centers New Needs.** In the Preliminary Plan, SBS proposed \$5.5 million in in Fiscal 2012 for 10 new express centers. In December 2010, the Mayor announced a plan to open 10 new Workforce1 Express Centers across the City over the next year. The Express Centers will focus exclusively on screening and matching jobseekers to jobs, and they will partner with community colleges, public libraries, and neighborhood organizations in areas where there are high concentrations of unemployment. SBS’ goal is to increase job placement from 25,000 in 2010 to 35,000 in 2011, and 40,000 in 2012

### Contractual Services with EDC, NYC & Company, and Other Areas

**Breakdown of FY12 SBS Contract Services-\$51 million**



The Economic Development Corporation (EDC) is a non-city agency, local development corporation that is under contract with SBS. EDC's mission is to produce jobs in the City by attracting and retaining businesses and encouraging the creation of capital projects. EDC is funded through a contract with SBS. EDC works with the private and public sectors on economic development initiatives that revitalize businesses, create jobs, and generate revenues for the City.

NYC & Company is the City's official tourism marketing organization dedicated to building NYC's economy and positive image through tourism and convention development, major events, and the marketing of NYC on a worldwide basis. SBS contracts with NYC & Company to support its work in promoting NYC as a premier tourist destination and convention center.

Other areas contain funding for services and programs administered by not-for-profit and other non-City agencies that are under contract with SBS and generally provide services citywide or for large scale projects.

- ☑ **Contractual Services.** The Fiscal 2012 Executive Plan proposes the reduction of various contracts with EDC - \$416,000 (Community Court Savings, Graffiti Free NYC program savings, and brownfields remediation savings), NYC & Company - \$594,000, Downtown Brooklyn Partnership - \$9,000, and the Trust for Governors Island - \$457,000 for an additional savings of \$1.5 million in Fiscal 2012.

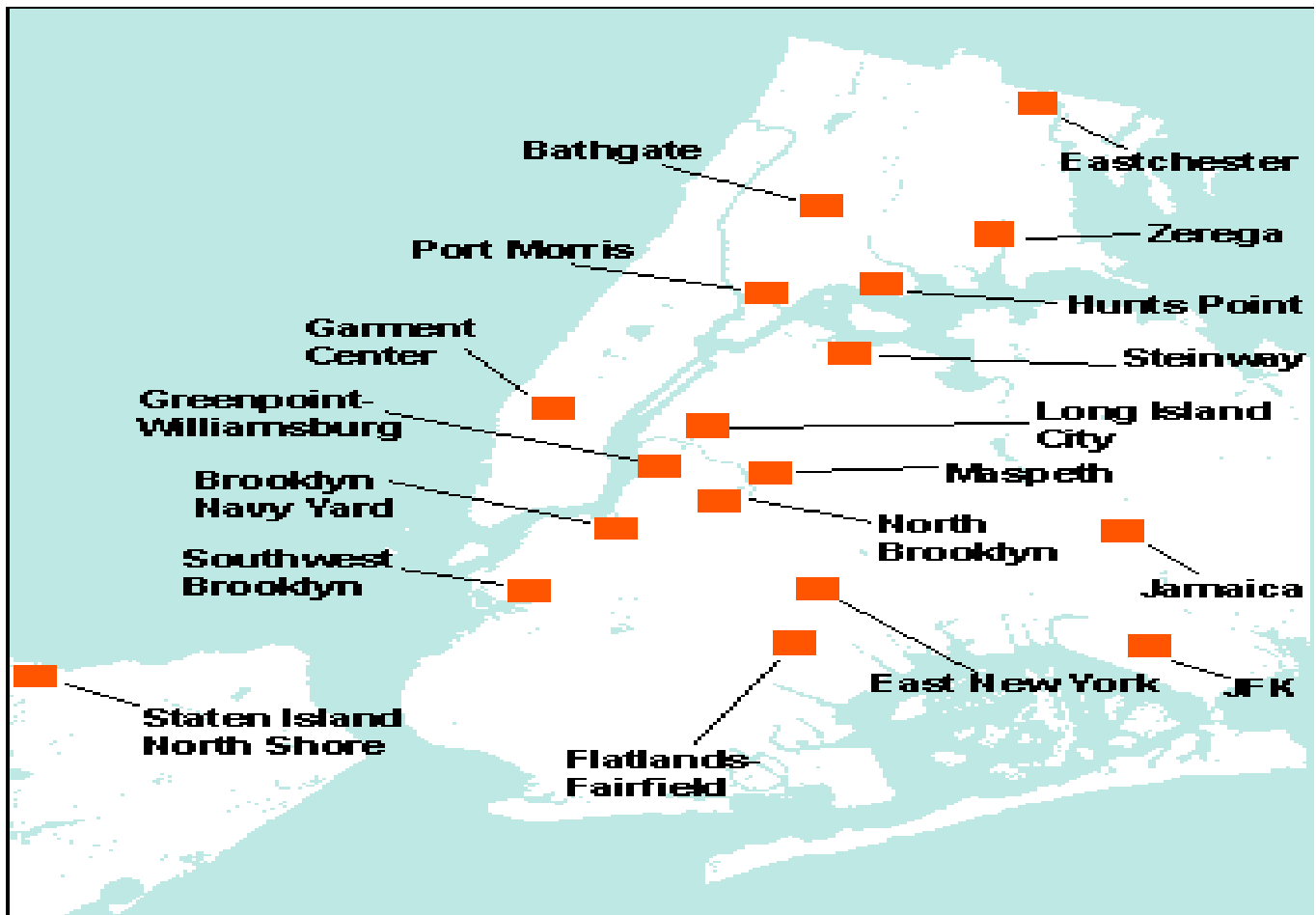
### **Mayor's Office of Industrial and Manufacturing Businesses**

The Mayor's Office of Industrial and Manufacturing Businesses (IMB) coordinates the City's industrial policy to retain and promote industrial manufacturing firms and oversees the New York State Empire Zones within the City. The IMB currently manages the City's 12 Empire Zones and 18 Industrial Business Zones.

- ☑ **IBZ Reduction.** As part of the Fiscal 2011 November PEG program, the Administration cut \$65,000 in Fiscal 2011 and \$96,000 in Fiscal 2012 for the Industrial Business Zones (IBZs).
- ☑ **IBZ Request for Proposals.** Previously, the IMB oversaw 12 local service providers managing 18 IBZs and the industrial ombudsman areas (see map on page 7). The Administration sought to change this with a Request for Proposals (RFP) process, which resulted in the selection of eight vendors who were awarded two-year contracts to provide services to the IBZs and ombudsman areas. The RFP was released in January 2011 and responses were submitted to SBS in February.

According to the Administration, the focus is to ensure the City provides the most efficient and robust service to its industrial and manufacturing businesses, and under the new contracts, all of the service areas would be covered, combining services in specific boroughs where appropriate. SBS looked at the proximity of IBZs, service mix, as well as employment concentration and business density taken from the New York State Department of Labor data. IMB awarded three contracts in Brooklyn, two in Queens, one in the Bronx, one in Staten Island, and one in Manhattan.

# The Industrial Business Zones (IBZs)



Source: New York City Small Business Services (SBS)



## Council Funding

The City Council funding provides approximately 7.4 percent of SBS' annual City-funds operating budget. The Council has funded a number of initiatives to benefit small businesses and also provide job training and development. City Council discretionary funds regularly total roughly \$9.7 million annually.

<b>Fiscal 2011 Council Changes at Adoption by Program Area</b>	
<i>Dollars in Thousands</i>	
<b>Small Business Services</b>	
Small Business and Job Development/Financial Literacy	\$700
MWBE Leadership Association	700
High Tech Connect	300
<b>Subtotal</b>	<b>1,700</b>
<b>Job Development</b>	
Jobs to Build On	4,000
Consortium for Worker Education (CWE)	1,200
Food Retail Workforce Training	50
<b>Subtotal</b>	<b>5,250</b>
<b>City Council Local Initiatives</b>	
Local Member Items	2,705
<b>Subtotal</b>	<b>2,705</b>
<b>TOTAL</b>	<b>\$9,655</b>

The Fiscal 2011 November Plan PEG program included a 5.4 percent, or a \$527,000 reduction to Council initiatives that was reversed in the Fiscal 2012 February Plan.

## Appendix A: Budget Actions in the November and February Plans

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
<b>Agency Budget as of June 2010 Plan</b>	<b>\$76,065</b>	<b>\$55,217</b>	<b>\$131,282</b>	<b>\$57,823</b>	<b>\$50,362</b>	<b>\$108,185</b>
<b>Program to Eliminate the Gap (PEGs)</b>						
Advance at Work	(\$456)	\$0	(\$456)	(\$968)	\$0	(\$968)
Direct Reduction of City Council Funding	(527)	0	(527)	0	0	0
Downtown Brooklyn Partnership Reduction	(14)	0	(14)	(20)	0	(20)
East River Ferry Operating	(48)	0	(48)	(282)	0	(282)
EDC Community Court Reduction	(16)	0	(16)	(23)	0	(23)
Financial Services	(353)	0	(353)	0	0	0
Governors Island Reduction	(671)	0	(671)	(993)	0	(993)
Graffiti Free NYC	(44)	0	(44)	(38)	0	(38)
NYC & Company Credit for Tavern on the Green Visitors	(121)	0	(121)	0	0	0
NYC & Company Sports Commission & Convention Sales	(125)	0	(125)	(365)	0	(365)
PlaNYC-EDC Budget PEG-OER Brownfields Fund	(362)	0	(362)	(319)	0	(319)
Reduction to OTPS	(220)	0	(220)	(151)	0	(151)
Reduction to SBS Empowerment Zone (EZ)	(100)	0	(100)	(100)	0	(100)
Three Vacancy Reduction	(153)	0	(153)	(154)	0	(154)
<b>Total, PEGs</b>	<b>(\$3,210)</b>	<b>\$0</b>	<b>(\$3,210)</b>	<b>(\$3,413)</b>	<b>\$0</b>	<b>(\$3,413)</b>
<b>Restoration of PEGs</b>						
Restoration of City Council Funding	\$527		\$527	\$0		\$0
<b>Total, Restoration of PEGs</b>	<b>\$527</b>	<b>\$0</b>	<b>\$527</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>New Needs</b>						
Express Workforce Centers	\$711	\$0	\$711	\$5,500	\$0	\$5,500
MWBE Capacity Building and Joint Venture Services	17	0	17	440	0	440
EDC Funding Adjustment	77	0	77	184	0	184
<b>Total, New Needs</b>	<b>\$805</b>	<b>\$0</b>	<b>\$805</b>	<b>\$6,124</b>	<b>\$0</b>	<b>\$6,124</b>
<b>Other Adjustments</b>	(\$3,579)	\$18,644	\$15,065	\$5,153	\$8,191	\$13,344
<b>Total, Other Adjustments</b>	<b>(\$3,579)</b>	<b>\$18,644</b>	<b>\$15,065</b>	<b>\$5,153</b>	<b>\$8,191</b>	<b>\$13,344</b>
<b>Agency Budget as of January 2011 Plan</b>	<b>\$70,608</b>	<b>\$73,861</b>	<b>\$144,469</b>	<b>\$65,687</b>	<b>\$58,553</b>	<b>\$124,240</b>