

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Christine C. Quinn
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Committee on Finance

Hon. Diana Reyna, Chair
Committee on Small Business



Hearing on the Fiscal Year 2013 Executive Budget

Department of Small Business Services

June 1, 2012

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Department of Small Business Services Fiscal 2013 Budget 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.

This report presents an analysis of the Department's Fiscal 2013 budget as proposed in the Executive Budget. It contains SBS' Financial Plan Summary and the Fiscal 2013 Executive Budget Actions, including the Department's New Needs and Other Adjustments. The appendices illustrate the City Council's Fiscal 2012 Initiatives, the Budget Actions in the November 2011, February 2012 and the May 2012 Plans, and, finally, the reconciliation of Program Areas into Units of Appropriation.

Department of Small Business Services Financial Summary

Dollars in Thousands

	2011 Actual	2012 Adopted	2012 Exec. Plan	2013 Exec. Plan	*Difference 2012 - 2013
Budget by Program Area					
MO Industrial & Manufacturing Businesses	\$1,634	\$1,156	\$1,156	\$996	(\$160)
MO Film, Theatre, and Broadcasting	416	0	0	0	0
Economic & Financial Opportunity: M/WBE	2,393	2,766	3,034	1,905	(861)
Economic & Financial Oppty: Labor Services	767	780	780	780	1
Business Development	7,423	6,009	7,825	7,246	1,237
Neighborhood Development	6,228	5,999	5,078	2,693	(3,307)
Contract Services: Economic Development Corporation (EDC)	32,614	27,828	27,826	14,755	(13,073)
Contract Services: NYC & Company / Tourism	15,197	14,267	13,981	13,278	(988)
Contract Services: Other (including Governors Island)	12,209	11,189	19,741	15,408	4,219
Workforce Development: One Stop Centers	25,454	26,657	27,521	26,339	(318)
Workforce Development: Program Management	12,044	8,471	12,107	8,299	(172)
Workforce Development: Training	16,427	23,712	22,835	16,797	(6,914)
Workforce Development: WIB and Other	3,164	5,323	2,135	778	(4,545)
Agency Administration and Operations	12,776	11,866	11,879	12,137	272
TOTAL	\$148,746	\$146,021	\$155,899	\$121,412	(\$24,610)
Funding					
City Funds	N/A	\$85,773	\$81,132	\$70,385	(\$15,388)
-City Council Funds	N/A	6,191	0	0	(6,191)
Other Categorical	N/A	56	519	56	0
State	N/A	2,343	4,046	0	(2,343)
Federal - Community Development	N/A	2,834	3,112	2,481	(352)
Federal - Other	N/A	55,006	62,267	47,980	(7,026)
Intra City	N/A	10	4,823	510	500
TOTAL	N/A	\$146,021	\$155,899	\$121,412	(\$24,610)

	2011 Actual	2012 Adopted	2012 Exec. Plan	2013 Exec. Plan	*Difference 2012 - 2013
<i>Dollars in Thousands</i>					
Positions					
Full-Time Positions - Civilian	200	223	213	224	1
TOTAL	200	223	213	224	1

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 Executive Plan funding.*

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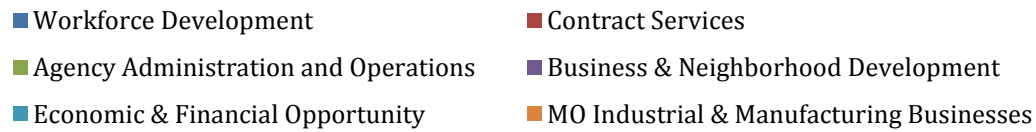
SBS' Fiscal 2013 Executive Budget reflects a \$24.6 million, or 16.9 percent, decrease when compared to the Fiscal 2012 Adopted Budget. At the time of Adoption in June 2011, the Fiscal 2013 Estimated Budget was \$105.04 million, which was \$40.98 million less than the Fiscal 2012 Adopted Budget of \$146.02 million. Budget actions composed of the Program to Eliminate the Gap (PEG), New Needs, and Other Adjustments programs in the November 2011, February 2012 and the May 2012 Plans added \$16.38 million to the Fiscal 2013 Executive Budget. The net \$24.6 million decrease between the Fiscal 2013 Executive Budget and the Fiscal 2012 Adopted Budget is, thus, a reflection of these budget actions (see Appendix 2).

Looking at the SBS Financial Summary chart (see previous page), the \$24.6 million decrease is reflected in the Contract Services: EDC (\$13.1 million) and in the Workforce Development Program Areas (\$12 million). The \$13.1 million decrease from the Fiscal 2012 Adopted Budget to the Fiscal 2013 Preliminary Budget in EDC is mainly attributable to non-City grant funding (Federal, State, Other) and City funds in Fiscal 2012 that are not baselined in Fiscal 2013. These include \$3.3 million for the Fulton Corridor Revitalization; \$2.8 million for the PlaNYC program; \$2.1 million for the Coney Island Ferry; \$2.1 million for the East Midtown Project; \$1.7 million in Federal ARRA funds; and \$985,000 for EDC's Financial Services Contract.

The \$12 million decrease in SBS' Workforce Development Program Area is attributable mainly to the \$7.2 million in the Mayor's Young Men's Initiative (YMI) program and the \$4.55 million in City Council Workforce Development initiatives. Both initiatives are not baselined in Fiscal 2013.

SBS Fiscal 2013 Executive Budget Breakdown by Program Area

SBS Fiscal 2013 Executive Budget: \$121.41 million

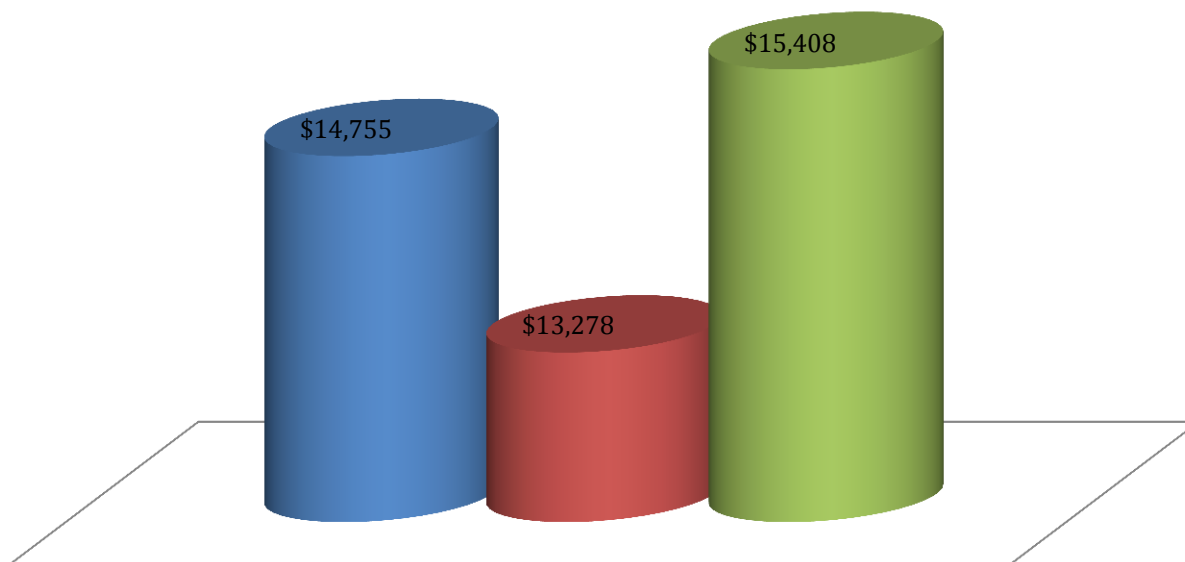


SBS' Fiscal 2013 Executive Budget is \$121.41 million. The Workforce Development program makes up approximately 43 percent, or \$52.21 million, of SBS' budget and funds the City's Workforce One Stop Centers, program management, training, and the Workforce Investment Board (WIB). The Contract Services program area makes up 36 percent, or \$43.44 million, of SBS' budget (see next section for an additional breakdown of SBS' contract services). The Agency's Administration and Operations makes up 10 percent, or \$12.14 million, of SBS' budget and funds the office personnel from the executive, legal, finance, information technology, and administrative offices, and other than personal services (OTPS), such as office supplies, property, and equipment.

SBS' Contractual Services with EDC, NYC & Company, and Other Areas**Breakdown of SBS Fiscal 2013 Executive Contract Services Budget-\$43.44 million**

Dollars in Thousands

■ EDC ■ NYC & CO. ■ Contract Svcs: Other (Including Governors Island)



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, including Governors Island.

Fiscal 2013 Executive Budget Actions

The Fiscal 2013 Executive Plan increased the Department's budget by \$7.9 million. There is \$6.6 million in New Needs and \$1.3 million in Other Adjustments in Fiscal 2013.

Budget Actions in the Executive Plan						
<i>Dollars in Thousands</i>						
	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
SBS' Budget as of February 2012 Plan	\$82,677	\$70,482	\$153,159	\$62,534	\$50,989	\$113,523
New Needs						
SBS New Business Acceleration Team (NBAT)			\$0	\$1,419		\$1,419
SBS Customer Relationship Management Licenses OTPS			0	74		74
Trust for Governors Island Hills Consultant	1,500		1,500			0
Clean Heat Initiative	(3,000)		(3,000)	5,100		5,100
TOTAL, New Needs	(\$1,500)	\$0	(\$1,500)	\$6,593	\$0	\$6,593
Other Adjustments						
Workforce Development: Young Men's Initiative: Expanding Men's Training/Jobs			\$0	\$645		\$645
SBS City Council Member Items	(15)		(15)			0
EDC Graffiti Free HUD EDI Forecast		575	575			0
EDC Development Coordinator Adjustment	(108)		(108)	(173)		(173)
EDC Consultants		334	334			0
EDC PlaNYC: M&M Contract Costs		226	226			0
EDC East Midtown Project		1,741	1,741			0
EDC Harbor District Ferry Study		500	500			0
EDC Payment for Empire Electric Site			0	500		500
EDC Red Hook Community Courthouse			0		15	15
EDC Sherman Creek		38	38			0
EDC SBMT Emergency Repair--FEMA		399	399			0
EDC CPSD Study for Rockaway Bulkhead-Beach 105th St to Beach 109th St	24		24			0
FY12 TAA		444	444			0
Heat, Light and Power	48	28	76	280	23	303
DC37 Collective Bargaining Increases	5	1	6	5	1	6
TOTAL, Other Adjustments	(\$46)	\$4,286	\$4,240	\$1,258	\$39	\$1,297
TOTAL, All Changes	(\$1,546)	\$4,286	\$2,740	\$7,851	\$39	\$7,890
SBS' Budget as of May 2012 Plan	\$81,132	\$74,767	\$155,899	\$70,385	\$51,027	\$121,412

New Needs

- ☑ **Clean Heat Initiative:** SBS' Fiscal 2013 Executive Budget includes a reallocation of \$3 million from Fiscal 2012 to Fiscal 2013 and an additional funding of \$5.1 million in Fiscal 2013 for the Clean Heat initiative, which is a program to assist in the conversion of building heating systems from oil to cleaner fuels. The program is being run in conjunction with the Office of the Deputy Mayor for Operations. The Fiscal 2012 funding of \$3 million is being reallocated and additional funding is being provided to correspond to the timing of the program. In addition to SBS, the Departments of Environmental Protection and Citywide Administrative Services are involved.
- ☑ **New Business Acceleration Team (NBAT):** SBS' Fiscal 2013 Executive Budget includes \$1.42 million and 17 staff from other agencies for NBAT, which is a City program to help entrepreneurs open up restaurants and other food related businesses. NBAT is the new phase of SBS' Business Express. There are 12 existing staff from other city agencies, one vacancy, and a plan for 6 new hires. In total there are 17 staff being consolidated into SBS. Currently, there are 5 existing SBS Business Express staff for a total of 23 NBAT staff for Fiscal 2013 and in the out-years.
- ☑ **SBS Customer Relationship Management Licenses OTPS:** SBS' Fiscal 2013 Executive Budget includes \$74,000 in Fiscal 2013 to cover the Other than Personal Services (OTPS) costs for the purchase of additional software licenses for the Department's On Demand Customer Relationship Management system, which helps the agency manage workflow across clients and vendors. The funds will also pay for subscription costs related to Dun & Bradstreet business profile data.
- ☑ **Trust for Governors Island Hill Consultant:** SBS' Fiscal 2013 Executive Budget includes \$1.5 million in Fiscal 2012 for the Trust for Governors Island Hill Consultant. This is in addition to the \$2.5 million in Fiscal 2012 provided in the Fiscal 2013 Preliminary Budget. The purpose of funds is for the design and environmental services for the Hills portion of Governors Island. There would be one consultant for design and another consultant for environmental assessments. The Hills will be nine additional acres of Park and Public Space at the South end of the Island.

Other Adjustments

- ☑ **Young Men's Initiative (YMI): Expanding Men's Training/Jobs:** SBS' Fiscal 2013 Executive Budget includes \$645,000 in Fiscal 2013 for the YMI program, which is a Mayoral initiative aimed at helping young Black and Latino males get better job training and employment.

Appendix 1: City Council Fiscal 2012 Initiatives

The City Council funding provides approximately 5.8 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 add up to roughly \$8.43 million annually.

Fiscal 2012 Council Changes at Adoption by Program Area	
<i>Dollars in Thousands</i>	
Small Business Services	
Small Business and Job Development/Financial Literacy	\$600
MWBE Leadership Association	600
High Tech Connect	150
IBZ RFP Restoration	96
Food Cooperative Expansion Initiative	50
Food Distribution Study	50
Subtotal	\$1,546
Job Development	
Jobs to Build On	3,500
Consortium for Worker Education (CWE)	1,000
Food Retail and Workforce Training and Placement Program	45
Diversity in Media Program	100
Subtotal	\$4,645
City Council Local Initiatives	
Local Member Items	\$2,236
Subtotal	\$2,236
TOTAL	\$8,427

Appendix 2: Budget Actions in the November, February & Executive Plans

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2011 Plan	\$85,773	\$60,249	\$146,022	\$54,946	\$50,093	\$105,039
Program to Eliminate the Gap (PEGs)						
SBS Attrition Savings	(\$373)		(\$373)	(\$656)		(\$656)
SBS PS Funding Reallocation	(93)		(93)	(93)		(93)
SBS OTPS Savings	(8)		(8)	(109)		(109)
SBS Reduction to New Initiatives: Division of Economic and Financial Opportunity			0	(54)		(54)
Workforce Development: Reduction to New Initiatives	(107)		(107)	(389)		(389)
City Council Funds Reduction	(162)		(162)			0
City Council High Tech Connect Reduction	(6)		(6)			0
EDC Community Court Savings	(5)		(5)	(15)		(15)
EDC Tax Levy Programs Reductions	(96)		(96)	(2,042)		(2,042)
PlaNYC EDC Budget PEG-OER Brownfields Funds	(158)		(158)			0
Downtown Brooklyn Partnership Savings	(4)		(4)			0
NYC & Company Contract Reduction	(285)		(285)	(848)		(848)
Trust for Governors Island PEG	(361)		(361)	(587)		(587)
TOTAL, PEGs	(\$1,659)	\$0	(\$1,659)	(\$4,794)	\$0	(\$4,794)
New Needs						
SBS New Business Acceleration Team (NBAT)			\$0	\$1,419	\$0	\$1,419
SBS Customer Relationship Management Licenses OTPS			0	74		74
Trust for Governors Island Hills Consultant	4,000		4,000			0
Clean Heat Initiative	2,000		2,000	5,100		5,100
TOTAL, New Needs	\$6,000	\$0	\$6,000	\$6,593	\$0	\$6,593
Other Adjustments						
Workforce Development: Young Men's Initiative (YMI): Expanding Men's Training/Jobs	(\$1,000)		(\$1,000)	\$645		\$645
Workforce Development: CEO Funding Adjustment			0	3,930		3,930
Workforce Development NYC Service Program	50		50			0
City Council Member Item Reallocation	74		74			0
City Council High Tech Connect Funding Match	150		150			0
EDC ARRA Solar City		678	678			0
EDC City Graffiti Program & CDBG Rollover	276	616	892	276		276
EDC Development Coordinator Adjustment	(108)		(108)	(173)		(173)
EDC Consultants		880	880			0
EDC Brownfields Fund Reallocation & DEP I/C	(5,930)	50	(5,880)	5,930		5,930
EDC PlaNYC-State BOA and EPA		1,866	1,866			0
EDC East Midtown Project		\$1,741	\$1,741			\$0
EDC Civil Service Study	(743)		(743)			0
EDC Harbor District Ferry Study		500	500			0
EDC BAT Rent		500	500		500	500
EDC Blueprint		1,300	1,300			0

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
EDC State EPF Design the Edge		\$185	\$185			\$0
EDC Sherman Creek		38	38			0
EDC Payment for Empire Electric Site			0	500		500
EDC DEC Heating Oil Tank Penalty Reallocation	(2,090)		(2,090)	2,090		2,090
EDC Red Hook Community Courthouse			0		15	15
EDC SBMT Emergency Repair--FEMA		399	399			0
EDC Cedar Grove		65	65			0
EDC Cedar Street Payment-NYPD		862	862			0
EDC Hudson Park and Boulevard		463	463			0
EDC CPSD Study for Rockaway Bulkhead-Beach 105th St to Beach 109th St	24		24			0
EDC OJT Negotiation Contract		147	147			0
EDC IC W/ DSBS		876	876			0
EDC LMDC WTC Pac		640	640		396	396
LMDC SFA Rollover		1,089	1,089			0
SBS Attrition Savings-Fringe Benefit Offset	88	0	88	156		156
FY12 TAA Budget		1,358	1,358			0
FY12 Re-registration		237	237			0
Heat, Light and Power	48	28	76	280	23	303
DC37 Collective Bargaining Increases	5	1	6	5	1	6
TOTAL, Other Adjustments	(\$9,156)	\$14,519	\$5,363	\$13,639	\$935	\$14,574
PEG Restorations and Substitutions (PRS):						
EDC Community Courts Restoration	\$5		\$5			\$0
City Council High Tech Connect Funding Restoration	6		6			0
City Council Funds Restoration	162		162			0
Total, PRS	\$173		\$173			\$0
Total, All Changes	(\$4,642)	\$14,519	\$9,877	\$15,438	\$935	\$16,373
SBS' Budget as of May 2012 Plan	\$81,132	\$74,767	\$155,899	\$70,385	\$51,027	\$121,412

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Appendix 3: Reconciliation of Program Areas to Units of Appropriation

<i>Dollars in Thousands</i>	Personal Services			Other Than Personal Services				Grand Total
	001	002	004	005	006	010	011	
Agency Administration and Operations	\$5,754	\$6,384						\$12,138
Business Development	3,813	458					2,975	7,246
Contract Services: Economic Development Corp					14,755			14,755
Contract Services: NYC & Co / Tourism Support		13,278						13,278
Contract Services: Other		15,408						15,408
Economic & Financial Opportunity: M/WBE		36	863	1,006				1,905
Economic & Financial Oppty: Labor Services			780					780
MO Industrial & Manufacturing Businesses		996						996
Neighborhood Development	953	1,739						2,692
Workforce Development: One Stop Centers						244	26,095	26,339
Workforce Development: Program Management						5,027	3,273	8,300
Workforce Development: Training		0			1,148	407	15,242	16,797
Workforce Development: WIB and Other						413	365	778
Grand Total	\$10,520	\$38,299	\$1,643	\$1,006	\$15,903	\$6,091	\$47,950	\$121,412