



Independent Democratic Conference

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IDC Releases Small Business Action Plan

Roadmap to Help Main Street Began with ThoughtRaiser Initiative

The Independent Democratic Conference today released a multi-pronged plan of action aimed at strengthening New York's economy by helping small businesses across the state.

The plan is the result of the IDC's ThoughtRaiser Initiative. The initiative was a series of roundtable discussions on how government can best help improve New York's small business climate. More than 75 small businessmen and women participated.

"We need to stand by the small businesses that stood by New York," said Senator Jeffrey D. Klein, (D-Bronx/ Westchester). "In order to help grow our economy, we need to help those who have preserved through the bad times and kept their businesses and their jobs in our communities. By addressing the action items that we unveiled today, I believe New York can become a place where small businesses grow and prosper."

Through the ThoughtRaisers, the IDC identified five areas where small businesses in New York struggle. These are:

Escalating Health Insurance Costs

New York small business owners spent \$10.4 billion on employee health insurance benefits in 2009, an amount that is expected to balloon to \$22.1 billion in 2018, according to the Small Business Majority and New York State Healthcare Foundation. Increasing costs was cited as a top issue by **88 percent** of ThoughtRaiser participants.

A prime opportunity to address these costs is through the impending creation of an Health Insurance Exchange, as required under the new federal healthcare law. In 2014, small businesses will be able to purchase coverage through an exchange that is implemented by New York, or by default, the Federal Government.

The IDC recommends that New York create an exchange that offers plans that:

1. Reflect the diversity of New York businesses. Businesses come in all shapes and sizes—available health plans should do the same.
2. Provides small business leaders with a seat at the table when determining what types of plans should be made available.
3. Empowers small business owners to choose the health plan that works best for their employees and for their business.

Burdensome Regulations

In October of 2011 Gallup poll, U.S. small business singled out complying with government regulations as the most important problem that they faced. ThoughtRaiser respondents reported that new rules and regulations from state agencies are often sprung on them with little to no notice. Last year, Senator David Carlucci, (D-Rockland/ Orange) passed legislation giving businesses accused of violating a new regulation a "cure period" to correct the problem before a fine is issued. The IDC is

looking to build upon this law by proposing:

1. A review of regulations that at one time may have made sense to adopt, but because of changes in the needs of the people of the state or the advancement of the particular industry, these regulations are no longer needed.
2. Putting in place safeguards to prevent the enactment of laws to without any regard of the regulatory impact it may have on businesses, especially small businesses.
3. Improving communication between state government and businesses that may be adversely affected by proposed regulations to be made aware of such regulatory activity and actively have a chance to show its adverse economic impact on its industry.

"Creating a climate in which businesses can thrive must be a top priority for New York this year," said Senator Carlucci. "Our policy recommendations offer substantive ideas and solutions that come from real small business owners. Unleashing the entrepreneurial spirit begins with removing unnecessary red tape, bloated bureaucracy and making government work more efficiently. I look forward to continuing to work with our small businesses throughout the state and for ways to drive job creation."

The Highest Combined Tax Burden in the Country

New York currently has the second-highest corporate income tax per capita in the country, and levies among the highest energy taxes in the country. Businesses now pay average utility rates that are 52 percent above their competitors in other states. More than 25% of the typical New York business's utility bill is comprised of state imposed taxes, fees, and assessments. The IDC recommends:

1. A comprehensive review taxes and fees related to energy costs in New York both with regards to state imposed taxes and fees as well as hidden fees and skyrocketing delivery costs implemented by energy providers in New York.
2. Safeguards to ensure that legislation or regulations enacted in Albany address a legitimate public concern, or need, and are not used as backdoor revenue raisers.
3. The exploration of the use of tax credits to lower unemployment and incentivize hiring by small businesses.

IDC Agenda for Tackling Licensing, Permit and Application Procedures for Small Businesses:

1. Work to have more applications online in the NYS OPAL system to make the process more efficient and the processing time shorter
2. Explore the possibility of allowing existing small businesses to be able renew pertinent permits on line similar to the ability of new businesses being able to apply online through OPAL.
3. Figure out a way to create a system where existing businesses that are expanding and are in good standing with the State, are able to bypass some permit and application processes if they already filled out similar applications for their existing business.

IDC Agenda for Ensuring that Small Businesses in New York not only have Access to Credit through Financial Institutions but also to the Financial Incentives the State provides:

1. Create an email notification system by which businesses within the state can sign up for an immediate notification of programs that could benefit them. This email notification could be financed with monies set aside for the "Open New York" program administered by the Cuomo Administration.
2. Investigate streamlining the larger government incentive programs so the lag time between a small business participating in a program and receiving the benefits of a program are shortened, therefore encouraging greater participation.

3. Explore the possibility of a government backed revolving line of credit program that would be administered by the banks accessible to small businesses in good standing in New York.

"Our communities are only as strong as our Main Streets," said Kevin Cacace, President of the Yonkers Chamber of Commerce. "I commend the Independent Democratic Conference for listening to what our small businessmen and women have to say and for working to turn New York from a place where small businesses flee, to a place where small businesses thrive."

"The IDC ThoughtRaiser Initiative allowed us to hear firsthand from business owners and operators the specific, negative effects that over-regulation and needless bureaucratic hurdles have on their bottom lines," said Senator David J. Valesky, (D-Onondaga). "In order to get New York State back on track, we need to focus on job creation and retention, and one of the ways we can have an immediate effect is to break down barriers that our businesses face every day."

"I commend these efforts to helping small businesses thrive in this dying economy. In helping small businesses with the daily troubles in dealing with the State of New York's increased licensing and application fees and the constant changing of NYS regulations. Being a small business owner in the State of New York isn't what it used to be. It is becoming more and more difficult to survive on a day-to-day basis. One of the main concerns that I and many business owners have is the high health insurance costs for our employees. With these high costs it is difficult to supply ourselves and our employees with adequate coverage. Something so important, is so very difficult to obtain. My hope is that through the IDC, small business thought raisers will unite to help bring a plan into fruition which will get small businesses the funds and assistance needed through this state so they can take care of their employees. With this kind of plan in action NYS can become a model for others across the Country. I once again thank Senator Savino and her colleagues for acknowledging the important issues within the small business community." - John Mancuso, Owner of Silvestro's Deli & Catering on Staten Island



Independent Democratic Conference

“Standing By the Small Businesses that Stood by New York”

How to Begin to Change New York from Business Hostile to
Business Friendly

1/18/2012

Introduction

In August of 2011, the Independent Democratic Conference (IDC) announced its New York State ThoughtRaiser Initiative. The purpose of this initiative was to go to the people of New York State, and engage them in the process of what Albany can do to make the lives of New Yorkers, and the state as a whole, better. The first group of people that the Independent Democratic Conference felt should be heard was the businesses who call New York home. While all business in New York State are important to the welfare of our economy, the Independent Democratic Conference wanted to sit down with those in the business community that may not have a seat at the table, or a voice in the workings of Albany's legislative process. Therefore, over two months and in all parts of New York State, the members of the IDC sat down with small business owners representative of all industries from restaurants to farms, small medical practitioners to plumbers, convenience store owners to coffee shop owners.

The goal of these ThoughtRaisers were twofold:

1. What is working and/or not working in New York State as we push to make New York more business friendly?;
2. What should the Independent Democratic Conference, and in turn the State Legislature, be focusing on as they start the 2012 legislative session?

Conducting the IDC Small Business ThoughtRaisers across New York

In September and October of 2011, each of the four members of the Independent Democratic Conference sat down with members of their small business communities. Roundtables occurred in Westchester, the Bronx, Staten Island, Central New York, and Rockland County. Each ThoughtRaiser invited guests from local restaurants, supply stores, farms, small medical practitioners and grocery stores, to name a few. All four Senators engaged the business owners on topics that they had consistently seen discussed in New York State and National Polls regarding what are the biggest hurdles facing small businesses in today's economic climate. The five areas touched upon were: Access to Credit and Capitol, Health Insurance Costs, New York State Licensing and Application Procedures, New York State Regulations and New York State Taxes and Fees.

Over 75 businesses participated in the roundtables, each providing commentary and insight into the five aforementioned topics. Before starting the discussions participants of the roundtables were asked to rank in order from 1 to 5 the level of difficulty each of the issues present to them as a small business owner with 1 being the most important and 5 being the least important.

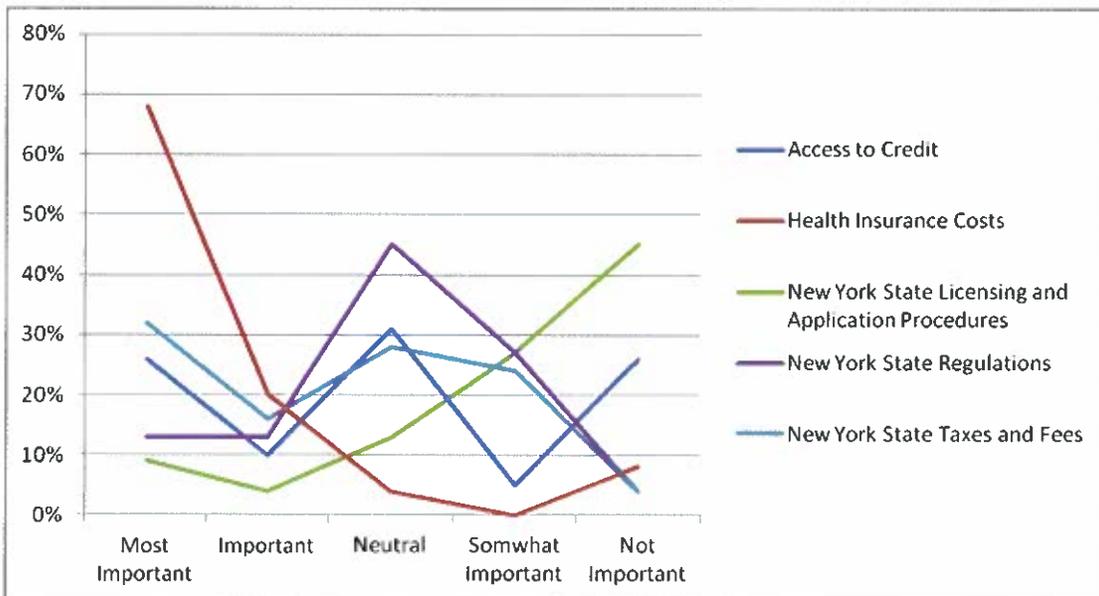
Based on these responses, the results were analyzed with each number given an importance value:

- 1-Most Important**
- 2-Important**
- 3-Neutral**
- 4-Somewhat Important**
- 5-Not Important**

Figure 1: Responses to IDC Small Business ThoughtRaiser Survey¹

	1	2	3	4	5
Access to Credit and Capital	26%	10%	31%	5%	26%
Health Insurance Costs	68%	20%	4%	0%	8%
New York State Licensing and Application Procedures	9%	4%	13%	27%	45%
New York State Regulations	13%	13%	45%	27%	4%
New York State Taxes and Fees	32%	16%	28%	24%	4%

Figure 2: Comparison Chart of Small Business Survey Responses



¹ Note: Percentage Numbers Rounded. Also, percentages in each column do not add up to 100% because respondents were able to weigh multiple responses similarly.

Policy and Legislative Initiatives

One way to deal with the perception of New York as a “business hostile” state is to foster an environment where businesses want to come and stay. Job creation hinges on attracting new industries or manufacturers to our state. These create opportunities for all New Yorkers. Recent media reports have discussed how Lieutenant Governor Duffy, in an effort to lure an out-of-state industry to New York, was laughed at, due to New York’s perception as a poor business climate. In response, the Governor launched a \$50 million dollar campaign to declare New York “Open for Business”. The Independent Democratic Conference supports Governor Cuomo’s initiative and looks forward to its launch in the New Year.

However, equally important is a focus on those businesses that have tried to keep the economic engine of New York moving in a positive direction. The Independent Democratic Conference wanted to find out what made these businesses stay and what is making these businesses feel like they cannot go on much longer. More importantly what can we do to change that? Therefore, the purpose of the IDC small business ThoughtRaisers—and the focus of the IDC’s policy and legislative agenda in 2012—is to simply say to our businesses: “Thank you for Staying!” The IDC goal this legislative session will be to focus on the businesses, industries, small mom and pop stores and our farming community, who stuck by New York during an economic recession and a sometimes turbulent and frustrating time in government. We admire our Governor for investing in our businesses with his Economic Regional Councils. However, as state legislators, it is our job to focus on policies, procedures and legislation that create a business friendly atmosphere for those businesses that remained committed to New York when it seemed New York was not committed to them.

Based on the comments made by our small business community at our ThoughtRaisers, the Independent Democratic Conference has formed its small business policy and legislative agenda for the 2012 session. Each idea, which arose from our ThoughtRaisers across the State, will be discussed, researched and explored for the purpose of introducing legislation in Albany. The Independent Conference will give our small businesses a voice in Albany.

Issue Number One: Health Insurance

The cost of employer-sponsored health insurance is an ever-growing burden for businesses. According to a report released by the Small Business Majority and New York state Healthcare Foundation Page, in 2007, private businesses, including small businesses, spent approximately \$480 billion on health insurance for their employees and their employees’ families—approximately 23% of total US healthcare spending on services and supplies.²

² The Economic Impact of Healthcare Reform on New York’s Small Business by the Small Business Majority and New York State Healthcare Foundation. Page 7

New York small business owners spent \$10.4 billion on employee health insurance benefits in 2009. Small businesses' annual spending on health insurance will more than double over the next ten years to \$22.1 billion per year in 2018.³

Small businesses that offer health insurance coverage in New York are suffering under our current healthcare system. They pay an average of 18% of payroll to insure their employees. Many small businesses are concerned about what the federal health care reform law means for them and the rising cost of health insurance.⁴

Based on the above factors, small businesses at the IDC ThoughtRaisers were asked *“Why do you think health insurance costs are so high for small businesses and are there any ways you feel that these costs can be reduced? What are your concerns about federal healthcare reform and how do you feel New York State is working to make these reforms more palatable for small businesses?”*

Select responses received were:

- “Small business health insurance costs have gone up 50-100%. Very difficult to provide health insurance to self and staff. Cost prohibitive.”
- “Unsure what the new federal healthcare program will mean for business. There is a lot of talk about it being good and bad but we have no information.”
- “Health Insurance Costs have risen 50% in 2 years. By 2014, thanks to Obamacare, they will have doubled. Insurance Increase caps must be added to the requirements made by the Feds”

Where New York is now:

Signed into law in March 2010, federal health care reform will change the availability and affordability of health insurance for many New Yorkers. Businesses of all sizes that offer health insurance will have new reporting requirements and decisions to make about the coverage they offer their employees. Some of the new federal rules, such as coverage for certain preventive services with no enrollee cost-sharing, will not apply to current plans unless businesses choose to adopt them.⁵

Although most changes will be phased in over time, some have already started, like the small business tax credit for health insurance. Small businesses will not face a penalty if they do not provide health insurance to their employees. However, those that choose to offer coverage to their employees may be eligible for a new tax credit. In 2014, small

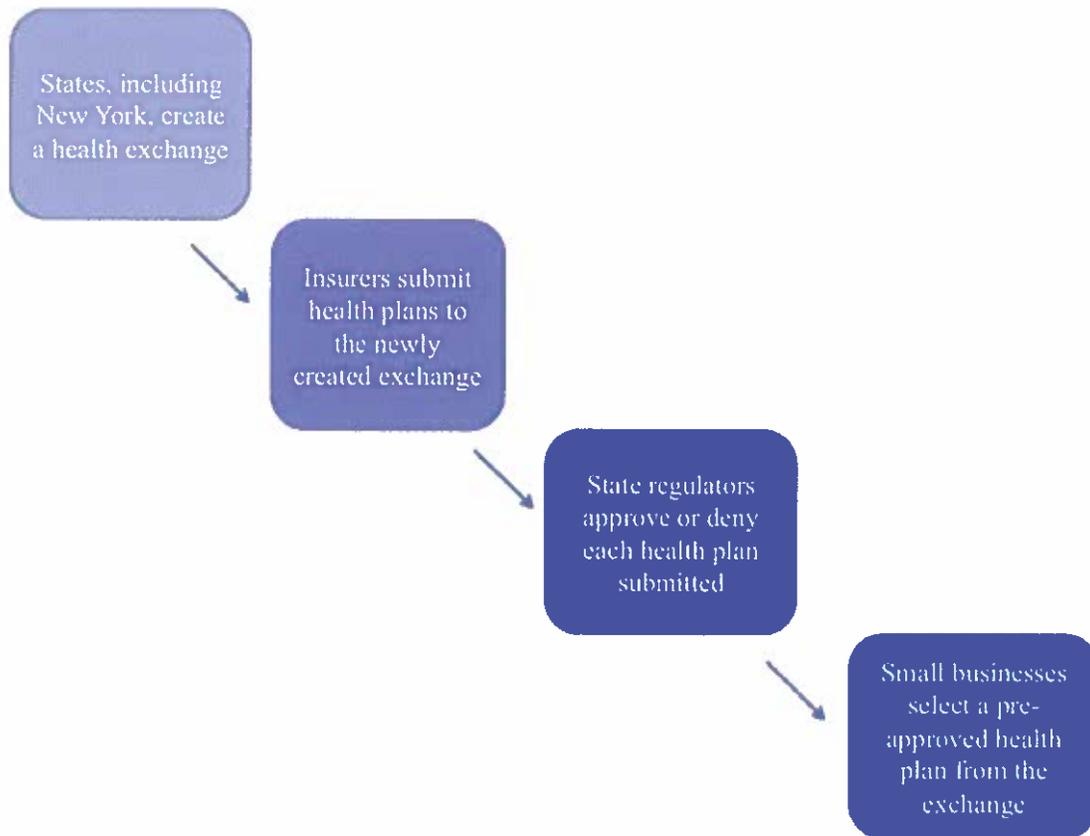
³ Ibid, pg. 9

⁴ Ibid pg. 19

⁵ New York Health Insurance Link, Office of Citywide Health Insurance Access (OCHIA), Human Resources Administration of The City Of New York, <https://a069-webapps7.nyc.gov/healthinslink/FederalReform.aspx> , January 9th, 2012

businesses will be able to purchase coverage through a Health Insurance Exchange, whether implemented by New York or by default, the Federal Government.⁶

Figure 3: Process of Implementing Health Care Exchange in New York



In order to do so, policymakers must advocate for the needs of the small business owners who will be purchasing insurance plans from the exchange. With healthcare insurance costs currently cost-prohibitive for many business owners, the exchange should seek to provide small business purchasers with the greatest number of insurance plan options. While standards of coverage must be met, the offered plans must New York's Health Insurance Exchange proposal presents a tremendous opportunity to provide benefits to uninsured New Yorkers, while driving down healthcare costs for small businesses. The IDC strongly believes that it is incumbent upon elected leaders to ensure that this opportunity is fully realized. reflect the diversity in size and shape of businesses located throughout the state. After all, affordability is key to making healthcare insurance more widely available in New York. By providing businesses of all sizes with the opportunity to participate, New York can drive healthcare insurance costs downward, can make New

⁶ New York Health Insurance Link, Office of Citywide Health Insurance Access (OCHIA), Human Resources Administration of The City Of New York, <https://a069-webapps7.nyc.gov/healthinslink/FederalReform.aspx> , January 9th, 2012

York a more attractive place to work, and can ensure that the greatest number of New Yorkers receive healthcare coverage.

IDC Agenda for Ensuring that New York’s Health Exchanges Support Small Business Choice

1. Demand that New York’s regulators approve plans that reflect the diversity of New York businesses. Businesses come in all shapes and sizes—available health plans should do the same.
2. Provide small business leaders with a seat at the table when determining what types of plans should be made available.
3. Empower small business owners to choose the health plan that works best for their employees and for their business.

Issue Number Two: Burdensome Regulations

In October of 2011 Gallup poll, U.S. small business singled out complying with government regulations as the most important problem facing them today.⁷ President Obama, in August of 2011, revealed plans to cut or roll back hundreds of federal regulations, focusing particularly on small businesses, saying he hoped to save businesses \$10 billion dollars and spur job growth.⁸ While some business groups argued that it was a little too late, this focus on small businesses and the push to review regulations validates an argument made by small business year after year. Dealing with federal regulations and then New York State regulations, make the business environment in New York almost inhospitable.

Promulgating and enforcing necessary regulations is one of our government’s most important functions. From ensuring the safety of our drinking water, to protecting consumer rights, well-tailored regulations cannot only protect citizens, but can enhance private sector competitions across a level playing field. However, hastily implemented rules fail to accomplish either goal. Therefore, the IDC members asked small business owners at the ThoughtRaisers *“Does the regulatory environment of New York State make it more burdensome here than in other states to start a business or to make your business thrive?”*

Select responses received were:

- “Regulations change too frequently—businesses have a difficult time keeping up”

⁷ “Gov’t Regulations at Top of Small-Business Owners’ Problem List” Dennis Jacobs, Chief Economist, 12/24/2011

⁸ “O slashed red tape” by Julie page, NY Daily News 8/24/2011, page 12

- “One business recently got a bill from the state from two years ago, fines and fees—not informed of changes—you don’t even know you’re doing something wrong or are in violation”

Where New York is Now:

Since administrative rules have the full force and effect of laws, New York, along with the federal government and nearly every other state, adopted a systematic approach to ensure public comment was solicited and considered, before an agency rule is formally adopted. New York State law provides the public with the opportunity to comment on proposed laws and rules.⁹

In addition, the Administrative Regulations Review Commission (ARRC) was put in place by the Legislature to (1) review the rule’s compliance with the underlying statutory authority and legislative intent, (2) assess the fiscal impact on state and local governments charged with enforcement, and (3) determine the economic impact on regulated parties. ARRC works closely with state agencies in regard to issues and questions which arise with respect to agency rules. Their drive to lower the burden that unnecessary or ineffective rules and regulations cast upon businesses is led by Senator Carlucci, the Senate Chair of ARRC.

There are two areas of regulatory review that the Independent Democratic Conference will embark upon during this current legislative session. The first, and most obvious task, is to begin exploring regulations that may be duplicative or unnecessary. The second, and equally important task, is to reverse the culture of continually enacting burdensome statewide regulation. While we explore the past regulatory environment, we are committed to changing the way regulations are promulgated in New, York and are committed in making sure that the considerations of all of our businesses, especially our small businesses, are taken into account in every way possible.

IDC Agenda for Implementing Safeguards to ensure that New York’s Regulatory System is not too Overly Burdensome:

1. A review of regulations that at one time may have made sense to adopt, but – because of changes in the needs of the people of the state, or the advancement of the particular industry – are no longer needed.
2. Improving communication between state government and businesses that may be adversely affected by proposed regulations, so they can be made aware of such regulatory activity and actively have a chance to show its adverse economic impact on its industry.

⁹ Rule Making in New York Manual, <http://www.dos.ny.gov/info/rulemakingmanual.html>

3. Adopting safeguards to ensure that new laws and regulations do not have an adverse regulatory impact on small businesses that outweighs the intended public benefit.

Issue Number Three: Taxes and Fees

Small business owners continually cite one major hurdle in their efforts to create sustainable growth in New York: burdensome taxes and fees. A close look at the state's tax code and fee structure justifies these concerns. Currently, New York has the highest combined local and state tax burdens in the nation. And while the tax reform packages of last year were positive steps for New York, we have much more work to do before meeting the needs of New York's small business community.

The multitude of taxes that were imposed on businesses to balance previous budgets has driven the cost of doing business up in New York year after year. Obviously no one likes taxes and the fact that the cost of doing business needs to rise incrementally to match other rises in costs is something that can't be avoided, but many small businesses the IDC talked to feel they have shouldered the burden of taxes increases in New York. Therefore, the IDC members asked small business owners at the ThoughtRaisers: ***"What new taxes have been imposed on the small business that makes it more burdensome to operate a small business in New York"***.

Select responses received were:

- "Property and other taxes impact business and a downtown's economic health. Stores are closing because of onerous taxes"
- "We are taxed on everything, and when we are not taxed we are given fines to make up for the taxes."

With regard to fees, what many small businesses complain about is what state and local governments do not get in direct taxes, they make up for in fees. Delivery trucks are being issued parking tickets more quickly than ever, and owners of all types of businesses report that licenses and service fees are rising. IDC members asked ***"What licensing fees and indirect fees are small businesses burdened with thanks to state government regulation that make it more difficult to operate your business?"***

Select responses received were:

- "A big problem is the unresponsiveness of the agencies we have to deal with, and the fees that are administered by these agencies, which are really stealth taxes."

- “Many people in the room own their own businesses. Dealing with state agencies (specifically Ag & Mkts, DEC)- we feel we are treated guilty before innocent when it comes to fees.”

Where New York is Now:

New York currently collects the second-most corporate income tax per capita in the country.¹⁰ Yet despite this broad revenue generation, New York still taxes small businesses on the very staples of future growth: gas and utilities. In a glaring example, continued increases in these taxes have made New York the highest energy-taxing state in the country. These taxes adversely affect businesses throughout the supply chain and create burdensome external costs for small business owners from the factory floor to the retail showroom.

Unfortunately, our state’s fuel taxes are not the only burdens on private sector energy costs. Despite producing more hydropower than almost any other state, New York has the third highest electricity prices in the nation. This means that New York businesses now pay average utility rates that are 52% above their competitors in other states. This puts New York businesses at a significant competitive disadvantage. Nevertheless, this does not need to be a reality for our state moving forward. Policymakers can drive energy costs downward: over 25% of the typical New York business’s utility bill is caused by state imposed taxes, fees, and assessments. Because of the substantial added costs to private sector energy bills, the IDC believes that a review of these taxes and fees is sorely needed. This review should take place alongside other initiatives aimed at not only cost reduction, but job creation.

The Independent Democratic Conference is committed to advocating for tax programs that relieve the burden on small businesses and stimulate job creation in New York communities. With the launch of Governor Cuomo’s Tax Reform and Fairness Commission, the IDC hopes greater efficiency and fairness is on the horizon. As Co-Chair of the Senate Task Force on Government Efficiency, Senator Klein will be releasing recommendations aimed at streamlining government and relieving the financial burden imposed by non-sensible fees and regulations. Governor Cuomo’s pledge to balance the budget without imposing any new taxes or fees is a laudable goal—and one that the IDC fully supports.

However, as mentioned above, the threat of future fee increases is not the primary obstacle to small business growth. As reported by small business owners during the IDC’s Small Business ThoughtRaisers, existing fees are often enough to seriously damage already-narrow profit margins. As Senate Chair of the Administrative Regulations Review Commission, Senator Carlucci has explored innovative ways to relieve the regulatory burden imposed by duplicitous and ill-advised regulatory

¹⁰ The Tax Foundation

overreach. With the help of his IDC colleagues, Senator Carlucci was able to pass, and get signed into law, a vital bill aimed at relieving the burden on small businesses. This law will require state agencies, when adopting a new rule or regulation, to provide a “cure period” for businesses to allow them to address any minor violations before they are slapped with a heavy local or state fine. The “cure period” will be essential for small businesses, however, more must be done. Moving forward, Senator Carlucci will release additional ways to reduce the regulatory burden on small businesses. A centerpiece for Senator Carlucci’s proposals will be to provide that no state agency shall impose any enforcement quotas based on the number of citations, or their dollar values for regulatory violations. This bill will hopefully change the culture of using fees and penalties as a way to generate revenue and provide much needed regulatory relief for New York State’s businesses.

The IDC also supports changes to the tax code that can have an immediate impact on New York communities. With that in mind, Senator Carlucci has introduced the Hire Vets Now Act, which provides businesses with a \$1,000 payroll tax credit for every veteran they hire. We encourage the legislature to pass this bill, and to put the Veteran’s tax credit on the Governor’s desk as soon as possible. The IDC will be proposing additional tax credits this year aimed at relieving chronic unemployment and rewarding those businesses willing to invest in New York’s workforce.

IDC Agenda for Starting to Provide Tax Relief to Small Business Owners in New York:

1. Review taxes and fees related to energy costs in New York both with regards to state imposed taxes and fees as well as hidden fees and skyrocketing delivery costs implemented by energy providers in New York.
2. Ensure that legislation or regulations enacted in Albany addresses a legitimate public concern and is not a back door revenue raiser.
3. Explore the use of tax credits to lower unemployment and incentivize hiring by small businesses.

Issue Number Four: Access to Credit or Capital

Many small businesses finance their continued operation not only on consumer spending but on access to credit and capital grants available to them. However, according to the 2011 Survey of Credit Underwriting Practices by the Comptroller of the Currency, 66% of banks reported they had tightened their lending standards in the small business market in 2010 with 55 % of them keeping these tightened lending practices unchanged in 2011.

¹¹As a result, according to a recent survey, 21 % of businesses that attempted to borrow received only some of the credit they wanted. ¹²

When discussing access to credit with small businesses the first question discussed with participants at the roundtable was *“Has it been harder accessing credit to operate your business compared to years earlier? And if you are a new business have you had trouble accessing start up capital to make your business more successful?”*

Select responses received were:

- “There are no incentives or state tax credits for retailers and retail businesses, even though we are moving to a service economy. This adds to the difficulty of mom and pop locally owned businesses because “big box” retailers are well-capitalized”
- “CPAs speaking on behalf of small business clients—very small businesses that have \$500-700 k or less in revenue—in difficult economic times, they are selling their homes, liquidating retirement funds, other personal methods—to keep their businesses afloat. This negatively affects their credit and banks see them as a bad risk, and they cannot get access to capital”
- “Hard to get credit for employees and supplies. Gone to 5 – 6 banks. Frustrating not getting the support.”

As the members discovered, when discussing the issue of access to credit, many small businesses admit to having significant problems with obtaining financing, sometimes traveling to up five or six financial institutions in order to get financing. But, strangely enough, when the four members of the IDC highlighted the achievements of New York State in relation to access to credit as discussed above, the main focus of the discussion shifted more towards “We didn’t know this existed!!”. As a result of this, the IDC asked: *“How much do you know about programs that New York State runs that gives small businesses access to capital? How frequently or often do you apply for these programs and how successful have you been accessing these funds?”*

- “There are too few incentives to invest in their businesses in a positive way. For example, the Green Jobs Program bill last year passed here in New York doesn’t give enough incentives for the business owners to invest money that they might not recoup immediately. In addition, the agencies that administer these incentives, like NYSERDA, moved extremely slowly in implementing them.”
- “We are mostly unaware of the possible incentives and programs that help small businesses, and in the cases we are, it isn’t because of mailers or government websites visited. Rather, it is usually because of word of mouth from other business owners or customers and employees.”

¹¹ Survey of Credit Underwriting Practices 2011, Office of the Comptroller of the Currency, page 33.

¹² Small Business Access to Credit in a Deep Recession” William J. Dennis, Jr., national Federation of Independent Businesses, March 2010.

Where New York is Now:

New York State has made an effort to increase access to capital in response to the tightening of credit due to the subprime lending crisis as well as the recent economic recession. In July, Governor Cuomo authorized the use of federal funds for three New York State small business programs: the Innovate NY Fund, the New York State Capital Access Program, and the Bonding Guarantee Assistance Program. New York will receive up to \$55.4 million through this initiative.

The bill authorizes the use of federal funds that are available through the U.S. Department of the Treasury's State Small Business Credit Initiative for three economic development programs:¹³

- The Innovate NY Fund, a new seed-stage equity fund to support innovation, job creation, and high growth entrepreneurship throughout the state; the bill provides approximately \$25 million for this program
- New York's Capital Access Program, which provides matching funds to loan loss reserve pools at financial institutions as an incentive to increase small business lending; the bill expands the range of New York-based financial institutions that can participate in the program, which had been active only as a pilot program from 2002-05; the bill provides approximately \$18 million for this program
- New York's Bonding Guarantee Assistance Program, which provides credit to help small and minority- and women-owned businesses secure bonding; the bill provides approximately \$10 million for this program

Again, the IDC recognizes the great efforts made by the Federal Administration and the Cuomo Administration in beginning to make credit accessible to small businesses. However, the concern is in the fact that these efforts are not reaching the everyday small business owner. The reason why we have these programs is because many small business owners cannot navigate through the excessive paperwork and financial hurdles of banks. They just don't have the time and some do not possess the financial acumen. However, if we make it just as difficult to access the New York State programs or apply for them, our efforts will be for naught.

IDC Agenda for Ensuring that Small Businesses in New York not only have Access to Credit through Financial Institutions but also to the Financial Incentives the State provides:

1. Create an email notification system by which businesses within the state can sign up for an immediate notification of programs that could benefit them. This email notification could be financed with monies set aside for the "Open New York" program administered by the Cuomo Administration.

¹³ <http://www.governor.ny.gov/press/07202011BillToExpandSmallBusinessAccessToCredit>

2. Investigate streamlining the larger government incentive programs so the lag time between a small business participating in a program and receiving the benefits of a program are shortened, therefore encouraging greater participation.
3. Explore the possibility of a government backed revolving line of credit program that would be administered by the banks accessible to small businesses in good standing in New York.

Issue Number Five: Streamlining Licensing, Permit and Application Procedures in New York State

The final issue that came up in conversations with our small businesses across the State is the amount of paperwork, permits and licensing that is required of a small business to operate in this State. While some effort has been made by the State to assist small businesses in knowing all of the permits and licenses one must have to start a small business, again we have forgotten to focus on the small businesses that exist and how difficult we make it for them to stay open in this economic climate

We asked, *“What are your experiences with the permit application system in New York and how do you feel we can better streamline the system so small businesses do not have to incur additional costs of hiring professionals to do their paperwork and they can navigate the process of opening a business in New York much easier?”*

Select responses received were:

- “Licensing requirements are an issue for businesses with multiple locations. Small businesses often need multiple licenses from different State agencies. Then, if they open a new location, they have to go through the entire process again with all the different agencies. Isn’t there a way to simplify the process?”
- “Trying to obtain grants from New York State is worth less than the amount of time it takes to actually apply for them. I have attempted to apply for a grant from the MWBE program and I have received letter after letter asking for more and more paperwork to a point that it has been over a year and my business may be at a point of closing.”

Where New York is Now:

The state has moved to make the process of small business paperwork, permits and licensing somewhat easier by instituting the OPAL program (On Line Permit Assistance and Licensing). OPAL is a service provided by the Business Permit Assistance Unit of the New York State Chief Information Officer/Office for Technology (CIO/OFT). This

system was put in place by making the permitting process more efficient. The goal of this program is to help small businesses apply for permits by searching the system and helping pull up all the applications that the small business may need. However, according to the OPAL website, there are 40,000 searchable permits or applications a small business can search for on their site. Yet there are only 50 permits that a small business can directly apply for on line.

Furthermore, what this system does not address and what the many complaints revolve around is the **number** of permits and applications a small business must fill out to start or expand a business as well as how large the applications are and the timeliness the state reviews and approval of such applications.

Many small businesses feel one needs to hire someone just to fill out the voluminous applications required to obtain the various permits one needs to run a business in New York and furthermore, the amount of time it takes to process these applications by the various state agencies often delays the opening of a business while that business is incurring significant carrying costs such as labor, rent and lawyers fees.

IDC Agenda for Tackling Licensing, Permit and Application Procedures for Small Businesses:

1. Work to have more applications online in the NYS OPAL system to make the process more efficient and the processing time shorter
2. Explore the possibility of allowing existing small businesses to be able renew pertinent permits on line similar to the ability of new businesses being able to apply online through OPAL.
3. Figure out a way to create a system where existing businesses that are expanding and are in good standing with the State, are able to bypass some permit and application processes if they already filled out similar applications for their existing business.

Conclusion

Throughout all of our small business ThoughtRaisers, one theme was consistent: New York needs to take better care of its small businesses. The State is correct to attract new business to New York in order to create new job opportunities, but someone needs to look after the little guy. Someone needs to say thank you to the small businesses that choose New York as their home and have stuck by the State when others would not. This is what the IDC will focus on and this defines the policy agenda for the IDC when it comes to small businesses this 2012 session.

Pro-Business IDC Legislation

S. 613: An act to amend the tax law, in relation to providing employers a tax credit for senior dependent care provided to employees and providing taxpayers with a credit for their own payments for such care

S. 627: An act to amend the New York state urban development corporation act, in relation to developing local and regional wholesale farmers' markets to promote foods grown in New York State

S. 652: An act to amend the public service law, in relation to electric service for farmers; and providing for the repeal of such provisions upon expiration thereof; the purpose of this bill is to allow farmers to provide on-site electric generators without being forced to pay prohibitive fees to electric providers

S. 1643: An act to amend the economic development law, in relation to providing matching funds for eligible applicants in the Hudson Valley agricultural regional marketing program

S. 1816: An act to amend the workers' compensation law, in relation to the removal from debarment list; the purpose of this bill is to remove persons and entities that are on the workers compensation debarment list that are now current in their workers compensation insurance, to the satisfaction of the Workers compensation Board.

S. 1909: An act to amend the tax law, in relation to eliminating the wholesaler's reporting requirement for farm and commercial wineries

S.2924: An act to amend the tax law, in relation to exempting dyed Diesel motor fuel used in farming or manufacturing; the purpose of this bill is to address an unintended taxation consequence on farms and other small businesses due to the recent implementation of federal regulations regarding the use of dyed non-highway, locomotive or marine (NRLM) diesel fuel.

S. 4296: An act to amend the agriculture and markets law, the county law, the insurance law and the tax law, in relation to providing an incentive to domestic life insurance companies to invest in the purchase of agricultural land to be kept in agricultural production

S. 4533: An act to amend the agriculture and markets law and the alcoholic beverage control law, in relation to providing that food processing establishments shall include the operation of home wine makers' centers

S. 4815: An act to amend the state administrative procedure act and the executive law, in relation to electronic permit applications and electronic recordkeeping

S. 4889: An act to amend the tax law, in relation to creating a local produce tax credit

S. 5078: An act to amend the alcoholic beverage control law and the agriculture and markets law, in relation to farm breweries; this legislation will authorize creation of farm breweries for the manufacture of beer at the premises specifically designated in the license.