

Saving New York Businesses and Jobs

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NYS Business Council HR
Legislative Conference



Agenda

- Overview of New York ASSET
- Emergency Response Teams
- Early Warning Dashboard
- Turnaround Business Assistance
- Employee Stock Ownership Plan (ESOP)
- Benefits of ESOPs

Overview of New York ASSET

Creation of a New York State Layoff
Aversion program called New York **ASSET**.

Assist

Stabilize

Secure

Empower

Turnaround

Overview of New York ASSET

Main elements of our Layoff Aversion

1. To identify and assist businesses that are distressed.
2. Collaborate with Sister State Agencies, WIB staff and public and private partners to offer a menu of services.
3. Provide business Turnaround Assistance Services.
4. Revive NYS Employee Stock Ownership Program.

Overview of New York ASSET

- Layoff Aversion strategies are an allowable expense under WIA Rapid Response Services.
- Our Layoff Aversion strategies are looking to identify and assist businesses before a closure, layoffs or a WARN Notice.
- NY ASSET was introduced to NYC and Long Island in early January 2010.

Overview of New York ASSET

- Identification of Partners to assist in this effort.
- Developing a menu of services to offer to distressed businesses including:
 - ✓ Shared Work (assisting 2,251 businesses, serving 40,708 participants and saving an estimated 10,584 jobs over the last year, January 2009 – December 2009);
 - ✓ Incumbent Worker Training;
 - ✓ Partner Resources (MEP, ESD and SBDC).

Overview of New York ASSET

- Pilot Program in New York City and Long Island focusing on the following industries:
 - ✓ Construction;
 - ✓ Distribution and Warehousing;
 - ✓ Manufacturing;
 - ✓ Wholesale.
- Creation of Emergency Response Teams.
- Our Emergency Response Teams have met with over 30 businesses and we have engaged our Turnaround Team in 5 of these businesses.

Emergency Response Teams

- Designated NYS Labor staff have been assigned to work exclusively on our NY ASSET Program.
- It is our intention to roll out our NY ASSET Program across the other eight (8) Regions of the State to assist distressed businesses as well. We expect to roll out this in the Fall of 2010.

Emergency Response Teams

- Coordinate all Layoff Aversion efforts within the designated Regions.
- Work with partner staff in developing outreach strategies to distressed businesses.
- Work with Business Service Teams in identifying those businesses that may warrant services.
- Work with Central Office/WIB Staff in analyzing data and providing technical assistance.

Early Warning Dashboard

- Development of Early Warning Dashboard.
- Dashboard will be the main data source for identifying distressed data.
- Our intention is to share the Dashboard among our partners in our Layoff Aversion efforts. Working through some technical problems and confidentiality issues.

Turnaround Business Team

Specific Services could include:

- ✓ Financial restructuring;
- ✓ Operations and cost management;
- ✓ New market and product development assistance;
- ✓ Production of business plans, financial projections and financing memorandums;
- ✓ Developing labor-management partnerships;
- ✓ Assistance in acquiring new equipment.

Employee Stock Ownership Plan

- NYSDOL is working with our Sister State Agencies and partners in reviving an Employee Stock Ownership Plan (ESOP) Program in our State.
- New York State once had the premier ESOP Program in the Country which was housed in Urban Development Corporation under the umbrella of Empire State Development.
- Another Tool in our Toolkit.

Employee Stock Ownership Plan

- We have identified over 300 businesses that are ESOPs throughout the State - many of which are the business next door!
- ESOPs are a great option, especially in those cases where there is a possible hostile takeover or succession planning issues.

Benefits of ESOPs

Selling Owner Benefits:

- Succession planning option;
- Generates cash for owner;
- Focuses on the goals and needs of the owner;
- Provides tax incentives to the selling owner
 - ✓ No Capital Gains -\$\$\$;
- Flexibility for owner;
 - ✓ Sell all or part
 - ✓ Retire or remain active in the business
- Retains the business and employees in the local community.

Benefits of ESOPs

Selling Owner Benefits:

- Capital Gains Tax deferred if ESOP owns at least 30% of shares after the transaction.
- Federal Capital Gains Rate = 15%.
 - ✓ \$1,000,000 sale = \$150,000 in Capital Gains savings for the selling owner.
- Only sale of “C Corporation” stock qualifies.

Benefits of ESOPs

Benefits for ESOP Company:

Tax Deductions for:

- Interest and principal payments on ESOP Notes;
- Cash or stock contribution to ESOP;
- Dividends passed through the ESOP to ESOP Participants;
- If ESOP owns 100% of the S-Corp, the company has no income tax liability.

Benefits of ESOPs

Employee Owner Benefits

- Averts closure.
- Prevents a company from relocating out of state.
- Supports local economy.
- Employees taking ownership of their own jobs.
- Qualified retirement plan for employee owners.
- Compensation
 - ✓ ESOP Average Wage: +12%
- Retirement
 - ✓ ESOP 2.5X greater than non-ESOP

Thank You

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