

NEW YORK BUSINESSES WILL BENEFIT FROM PASSAGE OF THE TREES ACT



Introduction

The Tropical Rainforest Economic & Environmental Sustainability (TREES) Act (S.8898/A.9711, Krueger/Zebrowski) would prevent the state of New York from procuring for its state institutions goods from a variety of agricultural sectors (palm oil, soy, beef, coffee, cocoa, wood pulp, paper, logs, and lumber) if those goods are found to have inputs that were grown or harvested on tropical land that was deforested, degraded, or subject to violations of Indigenous Peoples' rights after a specified cut-off date and after a transition period.

The bill, introduced by Senator Liz Krueger and Assemblymember Kenneth Zebrowski, is a procurement reform bill with a climate change focus and a corporate due diligence orientation as it calls for contractor oversight of its supply chain to ensure that tropical forests are not cut down in the production of the identified goods – a select group of products that are prime drivers in deforestation and a direct cause of climate change.

The bill is also an economic development initiative as it creates a 10% price differential preference program incentivizing small/medium-sized businesses and certified Minority/Women-owned Enterprises (MWBEs) as well as companies that source goods using New York state products.

While the focus of the bill is on curbing environmentally harmful business practices, the legislation, if enacted, not only will be beneficial to New York's fight against climate change but will have a direct and positive impact on the stimulation of New York business, particularly the small and medium sized businesses that drive job creation. Here are a number of reasons why.

The TREES Act helps level New York's competitive landscape

Knowing where your product inputs are coming from costs money. It requires creating a logistical tracking system with numerous data points. Once the system is created, it requires consistent updating. This can be a significant investment.

Yet, many New York-based companies have voluntarily made that commitment as a moral imperative. Such companies are part of New York's growing sustainable business community, including but not limited to thousands of businesses of the New York Sustainable Business Council, B-Corp Certified businesses, or members of local green business networks throughout the state. These companies have demonstrated that a business can invest in climate measures and still be profitable.

Such businesses are, however, at a competitive disadvantage in their sector relative to those businesses that take no steps to reduce the climate and forest impacts of their products. This competitive disadvantage can be significant. By requiring the creation and maintenance of a contractor due diligence system for all suppliers, the TREES Act would help level the economic playing field and potentially provide state purchasers with greater choice of product.

The TREES Act creates opportunities for small and medium-sized business growth

The greatest beneficiaries of this legislation will not be multinational corporations, whose investments, tax payments, and job creation in turn do not benefit the New York State economy. Rather, small/medium-sized businesses will benefit disproportionately from passage of the bill as they are traditionally quicker to be able to respond to new conditions. Many of them also focus on utilizing sourcing and supply chain activities as reputational denominators for their consumers.

This small business focus is important. The Small Business Association estimates that 98% of all U.S. companies are small businesses. They create two-thirds of all jobs in the U.S. and are responsible for 44% of all U.S. economic activity. In New York, the Federal Small Business Administration estimates that 98% of all New York businesses are small businesses and comprise 53% of the state's workforce.

But, despite the preponderance of small businesses in the state, procurement statistics do not reflect

the same economic distribution. According to SBA, women-owned and minority-owned firms in New York make up roughly 26% of all private companies in New York. Yet, according to the state, these firms were awarded \$3 billion in contracts in 2022, roughly 10% of the total \$29 billion let by the state. The TREES Act's price incentive program will help bridge that gap.

The legislation will create business opportunities for New York's agricultural sector

The bill focuses on an initial list of agricultural products including four – beef, soy, timber and paper/pulp – that are produced right here in New York State. By focusing the bill on products grown in tropical forests, the bill essentially makes it harder to import these products into New York and to the extent that these imports are either bought by the state (through local contractors) or sold in the general market, a void will occur that can be filled by locally produced goods, like soy, beef, timber, pulp and paper. This is a direct benefit to New York's economy.

Conclusion

Passage of the TREES Act (S.8898/A.9711) simply makes sense. For a relatively small increase in regulatory requirements, the bill would help address four key issues facing New York State: climate change, effective procurement, minority/women-owned business growth, and private sector economic development. It is good for New York State and for New Yorkers.

