

2014-16 Executive Progress Report

Commonwealth of Virginia
Secretary of Commerce and Trade

Department of Small Business and Supplier Diversity

At A Glance

The Virginia Department of Small Business and Supplier Diversity (DSBSD). Helps small businesses and entrepreneurs by hosting workshops, seminars and presentations to help them start or grow their businesses. DSBSD also obtain financing by way of loan guarantees and micro-loans. Working collaboratively with public and private industries, DSBSD will aggressively pursue supplier diversity by creating contracting opportunities and promoting fairness in the state's procurement process for Small, Women, minority-owned, Service Disabled Veterans, and micro businesses.

Staffing 32 Salaried Employees, 1 Contracted Employees, 63 Authorized, and 6 Wage Employees.

Financials Budget FY 2015, \$8.23 million, 71.07% from the General Fund.

Trends	↑ Demands on the certification process	Key Perf Areas	↑ Collaborative partners
	↑ Need to hire full-time staff		↑ Marketing Plan
Legend	↑ Increase, ↓ Decrease, → Steady	Productivity	↑ Organization Restructure
		Legend	↑ Improving, ↓ Worsening, → Maintaining

For more information on administrative key, and productivity measures, go to www.vaperforms.virginia.gov

Background and History

Agency Background Statement

The Department of Small Business and Supplier Diversity (DSBSD) is endowed with the following powers and duties:

Coordinate the establishment, preservation, and strengthening of small, women- and minority- owned businesses.

Mobilize the resources of state and local governments, businesses and trade associations, universities and professional organizations, toward the growth of small, women- and minority- owned businesses, and coordinate the match-making efforts of these groups with state agencies.

Establish a center for the development and dissemination of information to persons and organizations, throughout the Commonwealth, that promote the procurement from small, women- and minority- owned businesses.

Provide technical and management assistance to small, women- and minority- owned businesses, and defray all or part of the costs of pilot projects that are designed to promote supplier diversity throughout the Commonwealth.

DSBSD will serve as the liaison between "business and state government in order to promote the development of Virginia's economy."

Provide financial assistance to offset hiring or retraining costs for small businesses in the commonwealth.

Develop seminars, workshops, and presentations to assist entrepreneurs looking to start a business or looking to grow their existing business.

Establish an industry program that is the principal point of communication between basic employers in the Commonwealth and the state government that will address issues of significance to business;

Make available to existing businesses, in conjunction and cooperation with localities, chambers of commerce, and other public and private groups, basic information and pertinent factors of interest and concern to such businesses;

Develop statistical reports on job creation and the general economic conditions in the Commonwealth; and

Create a comprehensive permitting program to serve as a single access point to aid entrepreneurs and existing businesses in filling out permit applications associated with establishing and expanding business in Virginia

Major Products and Services

The certification process helps eligible small, women- and minority- owned businesses (SWaM), and disadvantaged business enterprises (DBEs) to compete for state procurement contracts. SWaM is a state certification, while DBE is a federal, U.S. Department of Transportation certification. Certification is also processed for Service-Disabled Veterans who own small businesses.

Outreach activities promote DSBSD's programs and services through a statewide marketing campaign. The department collaborates with federal, state and local governments and establishes good relationships with state agencies. It also provides eligible vendors with management and technical assistance.

Procurement Reporting and Coordination collects procurement data, generates accurate statistics, and prepares reports. Success is measured by the number of dollars agencies spend with SWaM vendors, as displayed on a database software system called the SWaM Dashboard.

DSBSD's most visible and widely used products and services include Small Business Jobs Grant Fund, Business One Stop, Business Information Services, and the Virginia Small Business Financing Authority (VSBFA). During fiscal year (FY) 2014, the agency:

- Hosted 65 events, and serviced 1,500 clients.
- Made 95 new loans worth over \$12 million.
- VSBFA had 7 bond issuances totaling over \$543 million.

DSBSD provides services through Business Information Services, and the Virginia Small Business Financing Authority. The agency anticipates providing the same types of products and services in the future, but will continue to make changes in how it delivers its products and services for several reasons including: number of businesses that need assistance with job creation, number of individuals that require help in starting their own business, and small businesses that require working capital for their business.

Customers

Customer Summary

The demand for services provided by the Virginia Department of Small Business Assistance and Supplier Diversity(DSBSD) has increased with the expansion of its customer base. DSBSD is increasing its efforts to create jobs and capital investment in the Commonwealth by supporting the formation, stabilization, growth and expansion of businesses and in particular small businesses. Additionally, as the population of Virginia becomes more diverse, so does the business community and the challenges this creates. DSBSD is developing strategies to insure that its programs and services assist with these challenges and that all of its programs and services are accessible to all Virginians.

The lengthy economic recession and credit crisis have caused an increase in entrepreneurship and an increased need for access to capital for new and existing businesses alike. As the economy flattens and then makes its way toward recovery, DSBSD will see an increased need for the services it provides in these areas.

DSBSD expects to see increased activity as the economy recovers. In the short term, DSBSD expects increases in certain areas of service and steady improvements in other areas. Long term, DSBSD anticipates an increase in all services provided by DSBSD to companies, both small and large, and to individuals looking to start their own business.

Certification: Since the passage of House Bill 122 in July 1, 2006, the customer base of small, women- and minority-owned business certifications increased from 6,688 to 21,069 (as of the end of Fiscal Year 2013). The largest increase in our customer base has been with the certification of small businesses, followed by minority-owned businesses, then women-owned businesses.

In 2015, Governor McAuliffe issued Executive Order 20, which created the "micro-business" designation. DSBSD is charged with certifying companies under that designation, if they qualify. Also in 2015, the General Assembly passed legislation that would define HBCUs (Historic Black Colleges and Universities) as a minority business. There is also a committee that will re-define the meaning of "small-business". The new definition will have an impact on this agency, depending on how "small businesses" will be defined because of the certification program.

DSBSD is charged with establishing and preserving a customer base of, small, women-owned, minority-owned, and Service Disabled Veteran-owned businesses, and promoting the growth of such businesses.

To assist the customer base, DSBSD operates with three (3) core service areas: Certification; Procurement Reporting and Coordination; and Outreach.

Small Business and entrepreneurs will continue to need services provided by DSBSD including workshops, business counseling and seminars.

Customer Table

Predefined Group	User Defined Group	Number Served	Potential Number of Annual	Projected Customer
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		Annually	Customers	Trend
Business and Finance	banks	30	65	Increase
Business and Finance	business community	17,177	22,127	Increase
Business and Finance	Entrepreneurs	1,500	2,000	Increase
State Agency(s),	state agencies	170	170	Stable
Wholesale/Retail Trade	SWaM Business Enterprises	80	80	Stable

Finance and Performance Management

Finance

Financial Summary

General funds go toward Business One-Stop, some certification and procurement programs as well as support for the Virginia Small Business Financing Authority, and the agency's administration.

The non-general funds are not annual appropriations, but are one-time federal and state funds and funds from partner state agencies for specific financing programs. This non-general fund figure represents an approval to spend up to the amount shown below and does not mean that the agency receives this amount in new funds each year.

Fund Sources

Fund Code	Fund Name	FY 2015	FY 2016
0100	General Fund	\$5,851,632	\$5,039,819
0200	Special	\$739,038	\$739,038
0243	Eda-Title Ix Grant	\$5,000	\$5,000
0410	Highway Maintenance And Operating Fund	\$1,453,283	\$1,453,283
0715	Ssbci Federal Fund	\$100,000	\$100,000
0900	Dedicated Special Revenue	\$35,000	\$35,000
0901	Capital Access Fund For Disadvantaged Businesses	\$20,000	\$20,000
0957	Vsbfa-Virginia Small Business Growth Fund	\$30,000	\$30,000

Revenue Summary

Revenues are collected from vendors, to partially offset the cost of DSBSD's match-making events (between buyers and small businesses). The revenues are small.

Performance

Performance Highlights

The expansion of certification and other support services for businesses resulted in a significant increase in the level of the DSBSD's performance output. It also created a "one-stop-shop" for business certification and supplier diversity efforts in the Commonwealth.

Business Information Services (BIS) organized over 65 events and made contact with 1,500 clients. In 2013, the number of people attending the Entrepreneur Workshops and the Growing Sales Seminars increased over FY12. The One on One Counseling sessions have been valuable to clients. BIS conducted 655 sessions in over 45 different parts of the Commonwealth.

New loans approved were higher in FY13 than in FY12 due to the increased marketing efforts for the Loan Guaranty Program.

For over three decades, the Department has served as the catalyst for promoting and encouraging state procurement diversification and business opportunities for minority businesses. In 2002, the Department commissioned a disparity study that found substantial under-utilization of the Commonwealth's minority-owned and women-owned businesses in state procurement. As a result of this study, the Department's enabling legislation was expanded to include the certification of small and women-owned businesses, as well as the certification of disadvantaged business enterprises. The certification of Service-Disabled Veterans who are also small business owners was also codified in the Code of Virginia in 2007. In 2014, DSBSD will add Micro-Businesses to its categories of small businesses.

Selected Measures

Measure ID	Measure	Alternative Name	Estimated Trend
350.0002	Average number of days to process a Small, Women, and Minority (SWaM) certification application.	Organization Restructure	Improving
350.0004	Provide education and outreach to assist Virginia small businesses with strategic growth and development.	Collaborative partners	Improving
350.0007	Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities.	Marketing Plan	Improving
350.0001	Continuous education and marketing to the Financial Services Industry (Banking) of the need for "gap" funding for SWaM and DBE businesses as they compete and acquire contracts.	Gap Funding	Improving
350.0006	Enhance the Reporting and Data Outputs to measure the SWaM and DBE IMPACT on the community (i.e. localities, higher education, and state).	Reporting and Data Impact	Improving
350.0005	Number of jobs created and retained by businesses receiving loans from the Virginia Small Business Financing Authority	Jobs Creation	Maintaining
350.0003	Number of small promotional activities aimed at Small, Women, Minorities and Disadvantaged Business Enterprises	Promotional Activities	Maintaining
350.0008	Unit cost of processing certification applications (total costs required for processing applications, divided by, number of certification applications processed)	Cost of Processing Certifications	Maintaining

Key Risk Factors

General Assembly and the Governor required 3 new certification categories: Employment Service Organizations, Service Disabled Veteran-Owned business', and Micro-Businesses, without increasing DSBSD's budget for processing. Due to the new categories, there are a growing number of certification applications being received.

In addition, vendors want more management and technical consulting services; as well as participation in more workshops and events.

Emphasis needs to be on hiring full-time staff rather than wage.

Organizational restructure and development is the primary issue. Recruiting, training, and retraining staff in critical areas, like certification, business development/outreach, procurement/compliance, ensuring proper funding to support allotted positions.

With the credit crisis and recession, credit has been difficult for businesses to access. Demand for government support for small businesses has increased. Equity and working capital financing are needed.

Agency Statistics

Statistics Summary

SWaM Expenditures and Data Collection

The SWaM Dashboard, an electronic, online data capture application, provides an on-demand viewing of the Commonwealth's procurement activities as it relates to discretionary expenditures by State agencies with SWaM businesses. The Dashboard, located at <https://www.bfountain.com/swam/dashboard/> pulls data from the Commonwealth's accounting and procurement systems to calculate SWaM expenditures from discretionary budget dollars. Institutions of higher education and other non-executive branch agencies, can also enter their expenditures and procurement data into the Dashboard because they may have their own financial systems outside of the Commonwealth's.

The Dashboard also provides monitoring and analysis of the Commonwealth's procurement data. The public and governing officials can view the Commonwealth's performance versus the statewide goal of achieving 42% of purchases being directed to SWaM vendors. Performance can also be monitored by agency, secretariat or by commodity code.

Statistics Table

Description	Value
Number of SWaM/DBE-certified businesses in our database.	20,400
Number of days to complete the certification process	60

Management Discussion

General Information About Ongoing Status of Agency

The Department of Small Business and Supplier Diversity ("DSBSD") is focused on increasing the availability and utilization of small, women-owned, and minority-owned businesses, as well as disadvantaged business enterprises and service-disabled-owned businesses, in the Commonwealth's procurement programs. Two components of this process, the certification of small, women-owned and minority-owned ("SWaM"), service-disabled veteran-owned (DV) businesses, Micro-Businesses, and Disadvantaged Business Enterprise ("DBE") and providing the required management and technical services for business development, require increased financial resources and different types of services as the demand for these services continue to grow and the economy begins to recover.

The DSBSD has enhanced its certification, re-certification, and appeals process. One way that this is achieved is through partnership arrangements with localities, non-profit organizations, and private sector companies seeking to diversify their supply chain. To date, DSBSD has established over 10 partnerships through Memorandum of Understanding and are pursuing additional partnerships and reciprocal agreements with other states and other certifying entities. In order to stem the tide of revenue leaving the state, 1-way, DSBSD implemented a certification reciprocity program wherein vendors from states or localities which do not allow Virginia-based businesses to participate in their set-a-side programs, DSBSD in turn does not allow those states to participate in our set-a-side programs, thereby implementing a fairer trade practice.

The DSBSD will continue to support economic development in Virginia by working with new and existing businesses to provide workforce incentives, debt financing products and technical support, and business information to businesses as they move through the business life cycle. DSBSD is focused on providing resources and reducing costs for businesses to start-up, sustain it and grow. DSBSD has improved services through the use of technology and Business One-Stop. Business One-Stop currently links seven agencies together to streamline the process of starting a new business. Any client data collected for one form can be used for all forms, thus reducing duplicative data entry for the business client. DSBSD will also start a new program aimed at jumpstarting investment. The Small Business Investment Grant Fund will give investors 10 percent of their investment in small businesses.

DSBSD will continue to provide small business outreach to underserved communities in distressed areas. DSBSD will also work in partnership with other agencies and private sector groups to expand outreach to underserved populations. In addition, the Department will continue to improve and expand its programs as resources become available.

Information Technology

Most of DSBSD's laptops and PCs have been "refreshed" with somewhat newer equipment from Northrop Grumman (NG).

DSBSD is building a new "DASHBOARD" to drill-down deeper into SWaM and Sub-Prime expenditures.

The Business One Stop Phase II will migrate the functionality of Business One Stop Phase I to a more robust and scalable technology platform. It will also add functionality to integrate with the agencies involved in business registration activities.

DSBSD is working to increase the functionality of Business One-Stop by adding more agencies to Business One-Stop to make it a truly one stop place for businesses to get resources on how to start their business. A community online forum was also put in place for individuals who need answers and can be answered by the community as a whole.

Workforce Development

As a result of code changes, the demand for the certification of service disabled veteran-owned businesses, Employment Service Organizations(ESO), and Micro-Businesses are expected to dramatically increase the workload of the agency. To keep abreast of thousands of applications, DSBSD will need more full-time certification officers.

Physical Plant

DSBSD is in the Bank of America (BOA) building, with a new door security system on 3 entrances. The BOA building has very convenient parking for our customers to meet with us, which is a necessity in downtown Richmond. In calendar year 2015, the Department of General Services (DGS) will be moving the DSBSD to the Monroe building on 14th and Broad streets. Customer parking may become challenging.