

2016-18 Executive Progress Report

Commonwealth of Virginia
Secretary of Commerce and Trade

Department of Small Business and Supplier Diversity

At A Glance

The mission of the Virginia Department of Small Business and Supplier Diversity (SBSD) is to enhance growth opportunities for Virginia's small businesses to prosper through increased revenue and job creation thereby raising the standard of living of all Virginians.

Staffing 45 Salaried Employees, 5 Contracted Employees, 50 Authorized, and 3 Wage Employees.

Financials Budget FY 2017, \$6.86 million, 63.54% from the General Fund.

Trends
Legend ↑ Increase, ↓ Decrease, → Steady

Key Perf Areas ↑ Collaborative partners
 ↑ Marketing Plan
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 Virginia Department of Small Business and Supplier Diversity (DSBSD) was created by the merger, on January 1, 2014, of the Virginia Departments of Minority Business Enterprise and Business Assistance, pursuant to the provisions of a bill passed by the General Assembly during its 2013 Session. The agency's purpose is to foster economic growth in the Commonwealth by promoting both the use of small businesses in state and local government procurement through the certification of Small, Women-owned and Minority-owned (SWaM) businesses and Disadvantaged Business Enterprises (DBEs) and the creation and expansion of small businesses in Virginia through business outreach and development that offers educational opportunities and information to entrepreneurs who seek to start or grow their businesses in Virginia, as well as state-wide programs that provide businesses, not-for-profits, and economic development authorities with financing for economic growth and expansion.

Major Products and Services

Certification of Small, Women-owned and Minority-owned (SWaM) businesses and Disadvantaged Business Enterprises (DBEs):

Initial certification and recertification of Small, Women-owned and Minority-owned (SWaM) businesses and the certification and annual review of certification for Disadvantaged Business Enterprises (DBEs) allows small businesses to access Commonwealth procurement opportunities of goods and services. Certified businesses gain opportunities to bid on state government contracts, and are also listed in a directory which is used by government procurement officers in state and local government purchases.

DSBSD certification designations have grown to include seven certification types as well as an agreement to allow for reciprocity with federal programs that align with the current Commonwealth initiatives.

Business Development and Outreach Services:

The Business Development and Outreach Services (BDOS) Division is often the first point of contact for small business owners who are interested in growing their businesses by obtaining more information about the Virginia Small Business Financing Authority or learning the marketing advantages of the Commonwealth of Virginia's certification as a SWaM (Small, Woman-owned, or Minority-owned) business. This division of DSBSD offers a broader reaching scope of services to all small businesses by facilitating connections to contracting opportunities with various levels of government as well as business to business opportunities.

The Commonwealth's Business One Stop is staffed and managed by the agency. This application allows access to certification, registration, licensing and permitting from 26 agencies through one comprehensive source for individuals seeking to start a business in Virginia. The agency also offers the Virginia Business Information Center (VBIC) where individuals can receive general business guidance and advice through phone, e-mail and live chat.

The Disadvantaged Business Enterprise Outreach Division provides specialized management and technical assistance to Disadvantaged Business Enterprises (DBEs) participating in projects funded by the US Department of Transportation and other federal sectors. The primary purpose of the specialized assistance is to provide training, assistance, and services to DBEs certified in the DBE program to increase their activity in the program, and to facilitate the enterprises' development into viable, self-sufficient organizations capable of competing for, and performing on Federally- assisted highway projects. This program also serves as a linkage to subcontractors for prime vendors that have been awarded transportation projects. This business-to-business connection may facilitate new opportunities and business development for the DBE entity.

Business outreach provides resources that will enable small business in Virginia to grow, create jobs and strengthen the economy.

Loan Assistance and Grants:

The Virginia Small Business Financing Authority (VSBFA), serves as the Commonwealth's economic development financing arm to help new and existing businesses to receive debt and equity financing through strategic partnerships with Virginia's banks and other financial services providers. The VSBFA administers state-wide programs that provide businesses, not-for-profits, and economic development authorities with financing for economic growth and expansion. The VSBFA offers:

- Loans directly to businesses and non-profits;
- Credit enhancements to banks that are lending to businesses and non-profits;
- Bond financings that benefit for-profit businesses and 501 (c) (3) not-for-profit entities, as well as clean energy and P3 transportation projects; and
- Assistance for small businesses to attract equity investments by providing an equity incentive grant program.

In addition, the Small Business Jobs Grant Fund, serves as an incentive for Virginia based business to create and retain jobs within the Commonwealth. These funds are available to small businesses in the categories of manufacturing, distribution centers, corporate headquarters for companies with multiple facilities, research and development, information technology services to business (B2B), or inbound call centers.

Customers

Customer Summary

The Agency has the privilege of serving Virginia's small business community, including small, women-owned, minority-owned businesses, micro-businesses, disadvantaged business enterprises, and veteran-owned businesses.

The US Census Bureau (Census Bureau website, accessed 4/19/17) estimate of the population of Virginia in 2016 was 8,411,808. This was an increase of more than 18% above the April 1, 2000 population of 7,078,515. Although exact figures are not available, Virginia has seen a corresponding increase in the numbers of small businesses in general and in the number of businesses that qualify as SWaM and DBE businesses. These ever increasing numbers will impact the demand for DSBSD's products and services.

Certification of Small, Women-owned and Minority-owned (SWaM) businesses and Disadvantaged Business Enterprises (DBEs):

At the present time, the volume of applications received monthly for SWaM and DBE certification continues to grow. Currently the agency receives on average 780 applications for review and processing. The agency expects this volume to continue to increase, especially following legislative changes that were approved during the 2017 General Assembly Session.

Business Development and Outreach Services:

The BDOS team is geographically dispersed throughout the Commonwealth, provides an array of valuable workshops, seminars and classes. Events are often planned in coordination with subject-matter experts throughout the Commonwealth on a variety of topics designed to enhance the forward-mobility of small business growth.

The agency serves as an advocate for state agencies in the Commonwealth to facilitate an adequate pool of SWaM and DBE vendors are available for sourcing and procurement needs. The agency also provides support in connecting vendors to procurement opportunities.

Loan Assistance and Grants:

Access to debt and equity capital continues to be a strong need for entrepreneurs and existing businesses in Virginia. Developing creative ways in which to help the private sector efficiently assist Virginia's businesses in receiving the financing necessary to help them grow and prosper is at the heart of the VSBFA's mission. As Virginia continues to transition toward its new economy, the need for financing and these programs will continue to be of importance.

Customer Table

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Transportation	Disadvantaged Business Enterprise Community	1,895	2,100	Increase
Business and Finance	Banks	44	131	Increase
Business and Finance	Small Business Community	17,782	681,517	Increase
Business and Finance	Partner Entities	18	18	Stable
State Agency(s),	State agencies	170	170	Stable

Finance and Performance Management

Finance

Financial Summary

DSBSD receives 67% of its funding from general funds and 33% of its funding from non-general funds. The majority of the non-general funds are allocated to loans and guarantee programs administered by the Virginia Small Business Financing Authority and the highway transportation funds allotted to the Federal Disadvantaged Business Enterprise (DBE) program.

The agency has experienced significant programmatic and organizational change since FY2005. The changes have resulted in additional program responsibilities that have not been adequately funded. The number of certified vendors managed by both the SWaM and DBE programs in FY2005 was approximately 3,000, while the program has grown to now support approximately 16,000 certified vendors in FY2017. This is a 533 percent increase in programmatic volume over the last 12 year period. However, staffing in FY2005 was seven employees. By FY2017 the number had increased to 13, which has resulted in a 54 percent increase in staffing over that same time period. This has put a strain on resources making it difficult for existing staff to meet regulatory requirements and support the small businesses it is charged with serving. This can stall small business access to Virginia procurement opportunities which impacts the overall health of the economy.

Fund Sources

Fund Code	Fund Name	FY 2017	FY 2018
0100	General Fund	\$4,359,231	\$4,196,392
0200	Special	\$771,306	\$771,306
0215	Swam Owned Business Loan Fund	\$20,000	\$20,000
0243	Eda-Title Ix Grant	\$9,895	\$9,895
0281	Small Business Jobs Grant Fund	\$0	\$500,000
0410	Highway Maintenance And Operating Fund	\$1,535,130	\$1,535,238
0715	Ssbci Federal Fund	\$100,000	\$100,000
0900	Dedicated Special Revenue	\$35,000	\$35,000
0901	Capital Access Fund For Disadvantaged Businesses	\$0	\$0
0957	Vsbfa-Virginia Small Business Growth Fund	\$30,000	\$30,000

Revenue Summary

DSBSD charges a \$20 fee for use of the Business One Stop Portal. This revenue stream yields on average \$47,000 annually. The costs to operate and maintain the portal exceed revenue generated at this time.

The agency also charges a \$75 fee for onsite inspections of SWaM businesses that are seeking certification outside of Virginia and that certification program requires an onsite inspection to participate. The volume is low and generates less than \$1,000 on average of revenue for the agency.

The Virginia Small Business Financing Authority generates operating income from fees and interest collected on loans disbursed. This income is used to fund all but one position within the VSBFA and supports programmatic activities when needed.

Performance

Performance Highlights

Certification of Small, Women-owned and Minority-owned (SWaM) businesses and Disadvantaged Business Enterprises (DBEs):

The introduction of the micro business designation through Executive Order 20 was enacted and implemented in October of 2014. The agency has been able to certify more than 6,800 micro businesses since the Executive Order was implemented; 94 percent of which are Virginia based businesses. Micro businesses have received over 174,215 orders from the state. Of that total, 165,649 orders have gone to Virginia Micro businesses for a total amount of \$454,865,197. Overall Virginia investment in these procurement activities are more than \$492 million since the implementation of EO20.

DSBSD has implemented revised regulations to align with the current business environment and allow greater access to certification. The agency has updated its review process to ensure program integrity and compliance with The Code of Virginia. The agency has up to 60 business days per regulation to process complete applications. The agency has been able to meet processing of applications within the regulatory guidelines.

Business Development and Outreach:

Business Development and Outreach works in collaboration with the small business community throughout the Commonwealth as part of its comprehensive approach to meeting. The agency's Business Service Managers reach hundreds of small business owners annually.

Loan Assistance and Grants:

The Virginia Small Business Financing Authority (VSBFA) performance has continued its strong loan, credit enhancement, and grant volume due to increased marketing efforts. During State Fiscal Year 2016, the performance of the VSBFA in new loan volume was 21% higher than during State Fiscal Year 2015, due in large part to a 47% increase in the number of presentations made to banks, Economic Development Authorities (EDA's), Small Business Development Centers (SBDC's), and other business-focused organizations by the VSBFA staff. In the first three quarters of State Fiscal Year 2017, the VSBFA achieved 95 loans committed for a total of \$13,010,893, and enabled \$44,221,650 of private financing. The efforts of the VSBFA resulted in 1,395 jobs that were created or retained.

Both the number of firms qualifying for job creation grants and the number of new jobs created have increased during FY17. In the first three quarters of State Fiscal Year 2017, the Small Business Jobs Grant Fund Program disbursed \$246,569.11 to 14 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

The agency has experienced consistent growth in certification designations through the legislative process. In the 2016 legislative session the General Assembly created two new designations to include: Employment Service Organizations and Historically Black Colleges and Universities. Also, in that legislative session the monitoring and reporting requirement for Service Disabled Veteran Owned businesses was changed to focus on a 3% goal in technology spend only. Every change in legislation requires changes to agency technology to allow for monitoring and tracking. Additional designations also increase the number of businesses that are eligible to participate in the Commonwealth SWaM program putting a strain on existing staff to meet the increased volume.

In the 2017 legislative session the General Assembly passed legislation regarding reciprocity requirements related to home state certification and acceptance of the Small Business Administration Certification program. These changes will require additional updates to agency technology.

Consistent turnover in the certification officer roles for both SWaM and DBE are risks to the agency. These positions are in the pay band 4 classifications causing recruitment to be difficult. Successful candidates must possess strong analytical skills and do not stay with the agency long term. Due to the amount of time and expense associated with training these positions the turnover rate is concerning and creates challenges for the agency to meet regulatory requirements around the processing of certification applications.

The DSBSD has several IT applications that it is responsible for managing. Those applications include the agency website, certification portal, expenditure dashboard and business one stop portal. The agency has not been given appropriation adjustments to meet the requirements related to normal operations and maintenance nor needed enhancements. The agency also has no dedicated IT staff and relies on existing staff to assist as needed.

Agency Statistics

Statistics Summary

Certification of Small, Women-owned and Minority-owned (SWaM) businesses and Disadvantaged Business Enterprises (DBEs):

As of April 10, 2017, the Commonwealth of Virginia had approved a total of 13,598 companies to be certified as SWaM businesses. Of these companies, 11,808 businesses were located in Virginia, while 1,790 were from out-of-state. As of April 6, 2017, there were 6,767 SWaM certified firms that were also certified as Micro-Businesses, of which 6,355 were located in Virginia and 412 were from out-of-state. As of April 7, 2017, there were 1,900 certified Disadvantaged Business Enterprises (DBEs) in Virginia.

Business Development and Outreach Services (BDOS):

The BDOS division planned and organized events for Virginia small businesses to include start-ups and those scaling to grow. Because almost 98% of Virginia businesses are small, this is a powerful economic engine for the Commonwealth. Some of the offerings for small businesses include information on certification or information on how to obtain capital, both of which are services offered through DSBSD, as well as a broader spectrum of education on growing a business in the Commonwealth. During the second half of 2016 calendar year, the team, through business events offered, served almost 3,200 businesses and through one-on-one business consultation and direct technical assistance, worked with more than 1,032 small businesses.

In addition, the team serves as a conduit with other key small business resources in the community and throughout the Commonwealth to partner and provide vital information to the shared client, the small business.

We manage and staff the state's Business One Stop portal as an initial gateway for businesses to find out, in one place, which agencies they need to reach for licensing, certifications and registrations. Approximately 2,100 individuals sought assistance through the agency Business One Stop portal in FY16.

The BDOS also staffs the Virginia Business Information Center (VBIC line) which addresses business questions for both start-up and existing businesses throughout each stage of their business growth. The agency fields on average 3,300 calls for assistance on this line annually.

Loan Assistance and Grants:

In FY 2016, the VSBFA issued \$12,892,000 in qualified energy conservation bonds. All of these issuances were in support of Virginia's clean energy initiative, the Virginia SAVES program. This is a program initiated by the Governor's Office and administered by the Department of Mines, Minerals, and Energy. In addition to DMME, the Virginia Resources Authority and the VSBFA play vital roles in providing bond financing for municipalities and private and not-for-profit businesses, respectively.

For the first three quarters of FY 2017, the VSBFA had approved the issuance of \$296,950,000 in private activity bonds. The majority of this activity is for a qualified Public Private Partnership (P3) for a transportation project in conjunction with VDOT and the U.S. Department of Transportation. Additional P3, QECB, and other qualifying private activity bond projects will be considered later in the FY.

In FY 2016, the VSBFA assisted 6 businesses in raising nearly \$1.2 million in investor equity through SBSD's Small Business Investment Grant Fund.

For the first three quarters of FY 2017, the VSBFA has assisted 24 businesses in raising \$7.7 million in investor equity through SBSD's Small Business Investment Grant Fund.

Statistics Table

Description	Value
Number of SWaM/DBE-certified businesses in our database	15,498
Number of SWaM/DBE-certified businesses that are based in Virginia	12,366
Business Development and Outreach Services businesses served through workshops and events held	3,200
Businesses served through one on one counseling and technical assistance	1,032
Businesses served through the Business One Stop portal	2,100
Calls received through the Virginia Business Information Center	3,300
Value of loans provided to support small businesses	13,010,893
Value of private finance enabled as a result of VSBFA loans	44,221,650
Number of jobs created as a result of financing extended by the VSBFA	1,395
Number of jobs created as a result of Small Business Jobs Grants awarded	297
Amount of equity created as a result of Small Business Investment Fund Grants awarded	7,700,000

Management Discussion

General Information About Ongoing Status of Agency

The Virginia Department of Small Business and Supplier Diversity (DSBSD) was created by legislation proposed in the 2013 General Assembly Session. As legislation passed, the merger became effective in January 1, 2014. The assembling of the former Virginia Department of Business Assistance (DBA) and the Virginia Department of Minority Business Enterprise (DMBE) established a “one stop” business resource that currently serves as a gateway for small businesses seeking assistance with the growth and development of their business, assistance with obtaining access to capital and assistance with competing for local, state and federal procurement opportunities.

Virginia, crowned as one of the “Best Places to Do Business” by Forbes Magazine in years 2006, 2007, 2008, 2009, and 2013, attracts small businesses around the country. The Commonwealth, which has also been touted as business friendly, has an open door policy that encourages competition amongst start-ups and existing small businesses in several traditional and high growth industries including advanced manufacturing, healthcare, biosciences, cyber security, and energy.

As the premier agency for businesses development, DSBSD has in its toolbox resources ranging from Outreach Services and Financing to Certification for both state and federal programs that support the growth and sustainability of small businesses. The agency’s subject matter experts are professionals that have years of experience and training to assist small businesses in navigating state government successfully. In addition, DSBSD has access to collaborative partners that share in the same value system of investing in the advancement of small businesses. As an Advocate, this newly merged agency is evolving as the catalyst for economic development while meeting objectives for small businesses in attracting and retaining talent; policy development; procurement; and wealth creation.

In addition to advocacy, the agency supports small businesses by providing access to capital. The Department of Small Business and Supplier Diversity (DSBSD) has the Virginia Small Business Financing Authority (VSBFA) focused in several key areas to enhance capital access to support the Commonwealth’s economic development effort. The VSBFA has initiated or improved upon several creative financing tools designed to support the Administration’s move toward a new Virginia economy.

- Financing Support for Existing Small Businesses – The VSBFA created and self-funded the SWaM Business Micro Loan Program to assist existing small businesses with small-dollar financing needs to bridge a short-term gap in cash flow. To date, this program has enabled \$3.7 million in private investment and helped businesses create and retain 627 jobs throughout the Commonwealth;
- Financing Support for Entrepreneurs – The VSBFA markets and administers the Small Business Investment Grant Fund for the agency which has helped small businesses raise equity to support growth and job creation. This focus on equity initiatives in FY 17 (to date) has produced capital investment of \$7.7 million throughout the Commonwealth. The VSBFA was also instrumental in drafting legislation to support the extension of equity crowdfunding in Virginia and partnered with Virginia’s Center for Innovative Technology (CIT) to invest directly in new business ventures through its State Small Business Credit Initiative venture fund;
- Financing Support for Economic Development in Rural and Distressed Regions - A key priority of the VSBFA is to enhance economic development-focused lending efforts in support of Virginia’s most distressed regions. Through its direct loan and credit enhancement programs, in FY 16 & 17 (to date), the VSBFA has helped distressed localities recruit and retain 65 private sector employers in areas where unemployment and poverty remain high. Successful loans in FY 16 & 17 (to date), that otherwise would not have been received, have helped create 680 jobs and over \$10 million in private investment.

In addition to access to capital, the agency provides support through Business Development and Outreach Services as well as technical assistance support. The Business Development and Outreach Services (BDOS) of DSBSD will continue to support economic development in Virginia by working with both new and existing small businesses in the Commonwealth. The BDOS team serves as a one-stop for facilitation of licensing and registration with 26 different state agencies through the Business One Stop Portal (BOS). The agency staffs and administers a hotline for all business questions at any stage of business through the Virginia Business Information Center (VBIC). The agency conducts business-related

educational workshops throughout the Commonwealth on doing business with government at all levels. The division assists with finding target markets as well as provides guidance on development and growth options.

DSBSD also offers a StreetWise MBA, a national program to take qualified/selected businesses through an intensive seven-month program to scale their business to the next level with expected results of increased revenue and job creation. Additionally, in conjunction with large prime contractors, the agency offers a four-week Contractor's Class to strengthen small businesses in their preparation to be qualified subcontractors and open opportunities for these businesses.

Finally, the agency supports both the Commonwealth and Federal certification programs. The Certification Division is responsible for the certification of eligible Micro, Small, Women, and Minority (SWaM), Employment Service Organizations (ESOs), Historically Black Colleges and Universities (HBCUs), Service Disabled Veteran (SDVs) owned businesses administered through the Commonwealth of Virginia program. This program allows businesses to access contracting dollars at the state and local level.

This division also certifies Disadvantaged Business Enterprises (DBEs) for participation under the Virginia Unified Certification Program which is a Federal program under the US Department of Transportation. This program allows businesses to access contracting dollars at the federal, state and local level primarily related to transportation.

Through these programs and services the agency fulfills its mission to enhance growth opportunities for Virginia's small businesses to prosper through increased revenue and job creation thereby raising the standard of living of all Virginians.

Information Technology

DSBSD is currently overhauling all IT applications within the agency. The website was launched in 2017 and offers new functionality and a clean user friendly design. The website hosts a newly designed events registration function that allows small businesses to easily access agency hosted workshops and events. The site allows for fast and easy registration and provides the agency with data analytics on attendance. The Certification Portal is under development and is currently in beta testing for release into production. The new portal will allow for complete electronic submission of required documents to complete the certification process. The portal will also provide reminders to currently certified businesses that their certification is due to expire and they need to recertify.

The agency is currently developing needs requirements for the update of the Expenditure Dashboard application. The agency has held workgroups with buyers across the Commonwealth to obtain feedback and input on system requirements to allow for enhanced application performance. Once the Expenditure Dashboard enhancements are complete the agency will define requirements to enhance the Business One Stop Portal.

DSBSD is working with VITA/Northrup Grumman to complete an agency wide refresh of computers. The refresh will allow all staff to be mobile by providing laptops to all employees. The refresh is expected to be complete in 2017.

Workforce Development

Fourteen percent (14%) of DSBSD employees are eligible to retire immediately and forty-two percent (42%) are eligible to retire in the next five years. Thirty-six percent (36%) of DSBSD employees are sixty years old or older. The obvious impact will be the loss of experience, specialized skills, and institutional knowledge. The need for effective succession planning will increase in the next several years as many of the agency's long term employees retire.

The agency has developed a recognition program focusing on non-monetary ways to recognize and motivate staff. The agency is fostering a culture that is supportive of professional development opportunities to allow staff to continue to grow. Evaluation of career progression opportunities within the agency are ongoing.

The agency is actively working to develop succession planning strategies to include knowledge capture through documentation of processes and cross training of staff to ensure depth across positions.

Physical Plant

DSBSD is in the James Monroe Building on the 11th floor. This location allows staff to be within close proximity to partner agencies. In addition, the agency maintains satellite offices to include Virginia Beach, Hampton, Lynchburg, Fairfax, Petersburg and Southwest Virginia. These satellite offices are used by outreach staff to make appointments to serve clients across the Commonwealth.