

2018-20 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 enhancing the economy and raising the standard of living of all Virginians.

Staffing 41 Salaried Employees, 2 Contracted Employees, 50 Authorized, and 0 Wage Employees.

Financials Budget FY 2019, \$7.34 million, 60.49% from the General Fund.

| | | | |
|--------|------------------------------------|----------------|---|
| Trends | ↓ Average number of days | Key Perf Areas | ↑ Collaborative Partners |
| | ↑ Number of customers served | | ➔ Assets to Support Small Business |
| | ➔ Assets supporting small business | Productivity | ↑ Certification Processing |
| Legend | ↑ Increase, ↓ Decrease, ➔ Steady | 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.

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 |
|----------------------|--------------------|------------------------|--------------------------------------|--------------------------|
| Business and Finance | Banks | 44 | 131 | Increase |

| | | | | |
|----------------------|---|--------|---------|----------|
| Business and Finance | Small Business Community | 17,782 | 681,517 | Increase |
| Business and Finance | Partner Entities | 100 | 100 | Stable |
| State Agency(s), | State agencies | 170 | 170 | Stable |
| Transportation | Disadvantaged Business Enterprise Community | 1,895 | 2,100 | Increase |

Finance and Performance Management

Finance

Financial Summary

DSBSD receives approximately 60% of its funding from general funds and 40% 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 VSBFA receives \$163,690 in general funds accounting for 4% of its operating budget. These funds are used to support the Executive Director's salary and other operational expenses. The primary source of revenue for the remaining non-general support of the Authority is derived from bond fee income. Should the Authority experience a decline in bond activity or should legislation be introduced that limits bond activity or fee collection the division would not be able to sustain operations.

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 15,000 certified vendors in FY2018. This is more than a 500 percent increase in programmatic volume over the last 13 year period. However, staffing in FY2005 was seven employees. By FY2018 the number had increased to 11. 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.

The agency has identified a need across all divisions to better leverage technology to provide real time data internally for performance management and externally to stakeholder and small business advocacy groups. The agency currently has no dedicated resources available to support these efforts. DSBSD has identified a need for a customer relationship management (CRM) tool that would allow for the tracking and analyzing of all customer interactions. Also, the agency has a need for internal and external dashboards to collect vital information that allows for proactive program adjustments based on economic indicators and the success or failure of current activities. These tools will allow the agency to strategically focus resources and create efficiencies while serving Virginia small businesses.

Fund Sources

| Fund Code | Fund Name | FY 2019 | FY 2020 |
|-----------|--------------------------------|-------------|-------------|
| 01000 | General Fund | \$4,439,269 | \$4,189,269 |
| 02159 | Swam Owned Business Loan Fund | \$20,000 | \$20,000 |
| 02350 | Sbd Special Revenue Fund | \$786,834 | \$786,834 |
| 02430 | Eda-Title Ix Grant | \$9,895 | \$9,895 |
| 02810 | Small Business Jobs Grant Fund | \$325,000 | \$0 |
| 04100 | Hwy Maintenance & Operating Fd | \$1,592,572 | \$1,592,572 |
| 07153 | Ssbci Federal Fund | \$100,000 | \$100,000 |
| 09352 | Dedicated Special Revenue-Sbd | \$35,000 | \$35,000 |
| 09570 | Vsbfa-Va Small Business Growth | \$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 \$55,000 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 VSBFA receives its primary source of revenue for non-general funds from bond fee income. Should the Authority experience a decline in bond activity or should legislation be introduced that limits bond activity or fee collection the division would not be able to sustain operations.

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 7,200 micro businesses since the Executive Order was implemented; 94 percent of which are Virginia based businesses. As of FY18, micro businesses have received over 274,515 orders from the state. Of that total, 263,019 orders have gone to Virginia micro businesses for a total of \$782,628,657. Overall Virginia investment in these procurement activities are more than \$837 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 facilitated financing totaling \$2,714,526 supporting 386 new jobs. During FY18, During 2018 eighteen loans were made through the Swam Micro Loan Program. To date, this new program has enabled \$4.8 million in total financing and helped businesses create and retain 915 jobs throughout the Commonwealth. Bond volume increased substantially from \$61,050,187 in 2017 to \$1,353,330,695 in 2018. This growth is principally due to the \$737,000,000 I-66 Express project. This sort of volume is not deemed to be indicative of future volume.

In 2018 all funds (\$849,456) appropriated to the Small Business Investment Grant Fund were distributed. Grant awards were distributed to 53 investors who invested \$2,192,593 in 10 Virginia small business. 2019 was met with similar success. Thirty investors, who provided a total of \$2,496,678 in equity contributions to 16 businesses, have been approved for \$819,753 in grant awards. These awards represent the entire pool of appropriated funds (\$819,753). Awards will be distributed in October

Twenty new projects were added to the Small Business Jobs Grant pipeline in 2018. Twelve applications were received. Awards paid out during 2018 totaled \$70,857 and represented reimbursement for costs associated with 80 new jobs.

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. | Certification Processing | Improving |
| 350.0004 | Provide education and outreach to assist Virginia small businesses with strategic growth and development. | Collaborative Partners | 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). | Assets to Support Small Business | Maintaining |

Key Risk Factors

The agency has experienced consistent growth in certification designations through the legislative process. 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 2018 legislative session the General Assembly discussed legislation to change the definition of a small business. Any changes to this definition will result in changes needing to be made to agency technology and staffing will need to be evaluated to determine if it is able to support new demands.

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 recently updated the website and certification portal but still needs to update the expenditure dashboard and business one stop portal. The need to continuously upgrade technology strains agency resources.

Agency Statistics

Statistics Summary

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

As of September 21, 2018, the Commonwealth of Virginia had approved a total of 12,011 companies to be certified as SWaM businesses. Of these companies, 10,666 businesses were located in Virginia, while 1,345 were from out of state. As of September 21, 2018, there were 7,268 SWaM certified firms that were also certified as Micro-Businesses, of which 6,797 were located in Virginia and 471 were from out of state. As of September 21, 2018, there were 2,510 certified Disadvantaged Business Enterprises (DBEs) in Virginia, of which 1,302 were located in Virginia and 1,208 were from out of state. The total number of SWaM and DBE certified vendors in the DSBSD database is 14,521 of which 11,968 are Virginia businesses.

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 FY18, BDOS, through business events offered, served approximately 3,800 businesses and through one-on-one business consultation and direct technical assistance, worked with more than 1,390 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 2,734 individuals sought assistance through the agency Business One Stop portal in FY18.

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 3,400 calls for assistance on this line annually.

Loan Assistance and Grants:

In FY18, the VSBFA Board approved bonds totaling \$1,353,330,695 as compared to \$61,065,187 in FY 2017. During the recent fiscal year, issuances totaling \$49,715,242 were in support of Virginia’s clean energy initiative, the Virginia SAVES program. This program was initiated by the Governors’ Office and is administered by the Department of Mines, Minerals and Energy. The QECB program was eliminated by the Federal Tax Cuts and Jobs Act effective on 1/1/2018 so no further issuances are permissible. The VSBFA is working on finding alternative sources of “clean energy” bond volume. The largest source of bond approvals in 2018 were related to P3 road improvement projects. This totaled \$969,995,000 and related to the I-95 Express Lanes (\$232,995,000) and the I-66 Express Mobility (\$737,000,000) projects.

Loans and credit enhancement proceeds totaling \$2,714,562 were provided by the VSFBA in 2018 in support of small businesses in the Commonwealth helping to create 386 jobs.

In FY 2018, the VSBFA assisted 10 businesses in raising nearly \$2,192,593 in investor equity through the Small Business Investment Grant Fund. As in 2018, grant awards for the full appropriation have been approved for FY19. Eighteen businesses and 31 investors will benefit from the program which facilitated \$2,521,678 in private investment.

Twenty new projects were added to the Small Business Jobs Grant pipeline in 2018. Twelve applications were received. Awards paid out during 2018 totaled \$70,857 and represented reimbursement for costs associated with 80 new jobs.

Statistics Table

| Description | Value |
|--|-----------|
| Number of SWaM/DBE-certified businesses in our database | 14,521 |
| Number of SWaM/DBE-certified businesses that are based in Virginia | 11,968 |
| Business Development and Outreach Services businesses served through workshops and events held | 3,800 |
| Businesses served through one on one counseling and technical assistance | 1,390 |
| Businesses served through the Business One Stop portal | 2,734 |
| Calls received through the Virginia Business Information Center | 3,400 |
| Value of loans provided to support small businesses | 2,714,526 |
| Value of private finance enabled as a result of VSBFA loans | 7,250,075 |
| Number of jobs created as a result of financing extended by the VSBFA | 386 |
| Number of jobs created as a result of Small Business Jobs Grants awarded | 80 |
| Amount of equity created as a result of Small Business Investment Fund Grants awarded | 2,521,678 |

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.

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) as well as Federal Reciprocity for 8(a), Economically Disadvantaged Woman Owned Small Businesses (EDWOSB) and Federal Service Disabled Veteran (FSDVs) 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 new Certification Portal was launched July 2017. The new portal allows for complete electronic submission of required documents to complete the certification process. The portal also provides reminders to currently certified businesses that their certification is due to expire and they need to recertify.

The Expenditure Dashboard is currently under development and user acceptance testing has begun. The agency 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 development is complete, the agency will define requirements to enhance the Business One Stop Portal.

Workforce Development

Five percent (5%) of DSBSD employees are eligible to retire immediately and eight percent (8%) are eligible to retire in the next five years. Twenty-seven percent (27%) 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, Radford, Roanoke, and Abingdon. These satellite offices are used by outreach staff to make appointments to serve clients across the Commonwealth.
