

**REPORT OF THE  
JOINT SUBCOMMITTEE STUDYING**

**WAYS TO ASSIST SMALL  
BUSINESS IN VIRGINIA**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**SENATE DOCUMENT NO. 38**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1995**

## **MEMBERS OF THE JOINT SUBCOMMITTEE**

Senator Stanley C. Walker, Chairman  
Delegate A. Victor Thomas, Vice Chairman  
Senator Elliot S. Schewel  
Senator J. Brandon Bell II  
Delegate William K. Barlow  
Delegate Vincent F. Callahan, Jr.  
Delegate Robert S. Bloxom  
Delegate I. Vincent Behm, Jr.  
Walter P. Conrad, Jr.  
Pauline Levy  
David C. Young

## **STAFF**

### **LEGAL AND RESEARCH**

#### Division of Legislative Services

Mark C. Pratt, Research Associate  
Cynthia G. Liddy, Sr. Operations Staff Asst.

### **ADMINISTRATIVE AND CLERICAL**

John McE. Garrett, Senate of Virginia

## TABLE OF CONTENTS

<b>Executive Summary</b> .....	i
<b>I. Study Origin and Background</b> .....	1
<b>II. Work of the Joint Subcommittee</b> .....	3
Challenges Confronting Small Businesses .....	3
Oversight Work Group .....	5
Economic Development Work Group .....	6
Deliberations and Recommendations .....	10
<b>III. Conclusion</b> .....	12

### Appendices

- A--Senate Joint Resolution No. 128
- B--Recommended legislation: Small Business Commission
- C--Budget Recommendation: letter to money committee staff directors
- D--Recommended legislation: Encouraging microenterprise initiatives

## **EXECUTIVE SUMMARY**

Small business is often described as the engine that drives the U.S. economy. Indeed, between 1977 and 1990, small businesses created the largest percentage of new jobs, according to a national survey. Because their size allows flexibility and dynamic decision-making, small companies are agents of economic change--they serve as primary sources of innovation and have the ability to respond rapidly to changing conditions in the marketplace.

Small businesses also play a critical role in Virginia's economic well-being. Firms with the very fewest employees (less than five) account for nearly 60 percent of the Commonwealth's businesses. About 98 percent of our companies have less than 100 employees, and together, these businesses employ nearly one-half of our private sector workforce.

Recognizing the importance of small business, the General Assembly established a Joint Subcommittee to Study Ways to Assist Small Business in Virginia. Continued in 1994 by Senate Joint Resolution No. 128, the joint subcommittee heard testimony over its two-year existence on many issues and problems confronting small businesses.

Small firms tend to have needs that exceed existing resources, including the need for capital, planning, technology and marketing. Small companies are also facing newer challenges--perhaps disproportionately to their larger counterparts. Among them: the availability and affordability of health care, job shortages due to defense downsizing, and increasing government regulation. Another obstacle for the small business community to overcome is its fragmented constituency. Because the number of small firms is large and the nature of these companies diverse, small businesses have difficulty delivering a focused message to policymakers and other government officials.

Acknowledging that the Commonwealth's economic vitality relies largely upon fostering the creation and growth of small businesses, the joint subcommittee focused its work on examining how to provide the small business community with additional resources and support. The joint subcommittee found that small businesses lack a forum within the legislative branch to express their concerns and assist in the development of public policy. The panel determined that the state's small business assistance programs are critically important and successful, yet found they are hindered by inadequate resources. It also learned that some small business entrepreneurs--especially low-income citizens, women and minorities--require particular kinds of support.

To provide greater attention to small business issues and concerns, the joint subcommittee recommends that legislation be enacted establishing a permanent legislative commission on small business. A small and focused body consisting of legislative members and gubernatorial appointees, the commission will evaluate the impact of existing statutes and proposed legislation affecting small businesses; assess Virginia's small business assistance programs and examine ways to enhance their effectiveness; and provide small business owners and advocates a forum in which to address their concerns.

Recognizing that increased funding for the state's small business assistance programs is needed to meet the growing demand and need for services, the Joint Subcommittee recommends that the 1995 Session of the General Assembly appropriate an additional \$750,000 for the Virginia Small Business Development Center (VSBDC) and appropriate \$500,000 for the Virginia Small Business Financing Authority (VSBFA) in the second year of the current biennium.

The VSBDC and VSBFA are the Commonwealth's primary small business assistance programs. Established in the late 1980's and funded at the federal, state and local levels, the VSBDC networks' 21 centers provide comprehensive technical assistance to small businesses throughout the Commonwealth. Despite its documented success and growth, the program's original annual appropriation of \$250,000 from the General Assembly has not been adjusted. The VSBFA was created by the General Assembly in 1984 as the state's principal program to facilitate financing options for the small business community. Its loan guaranty program is designed to reduce the risk to banks in making loans and, thereby, increase the availability of short-term capital for small businesses. This program and an array of other creative ventures have filled gaps in the financing market for many small businesses. However, the VSBFA's one-time appropriation of \$1 million in 1984 from the General Assembly has been leveraged to capacity.

Finally, the panel also recommends that the General Assembly adopt a resolution endorsing microenterprise initiatives for Virginia's low-income citizens. A microenterprise loan program would provide very small loans and mentoring to aspiring entrepreneurs who have not previously borrowed money. The resolution recognizes that access to credit and business skills training are critical factors in creating economic opportunity--particularly for low-income citizens of the Commonwealth--and expresses support for the microenterprise concept.

The importance of viable and successful new, growing and established small businesses to the Commonwealth's economy cannot be overstated. The Joint Subcommittee believes implementation of its recommendations will greatly assist the entrepreneurial efforts of our citizens and strengthen Virginia's competitive position in relation to other states, thereby creating and sustaining jobs for Virginians.

# **REPORT OF THE JOINT SUBCOMMITTEE STUDYING WAYS TO ASSIST SMALL BUSINESS IN VIRGINIA**

to  
The Governor and the  
General Assembly of Virginia  
Richmond, Virginia  
January, 1995

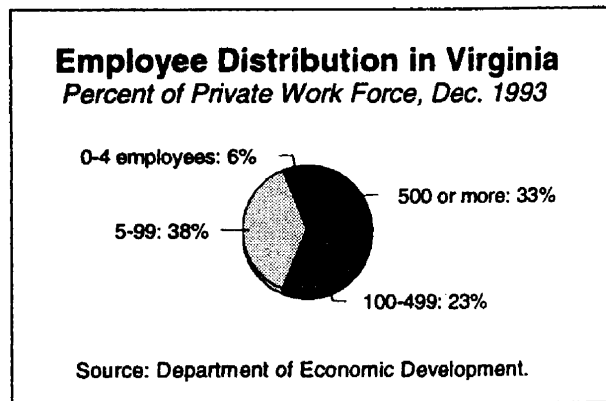
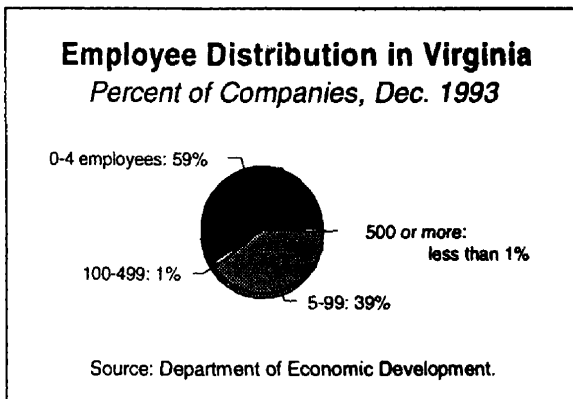
## **I. STUDY ORIGIN AND BACKGROUND**

Adopted by the 1994 Session of the General Assembly, Senate Joint Resolution No. 128 (Appendix A) continued the Joint Subcommittee Studying Ways to Assist Small Business in Virginia. Senate Joint Resolution No. 314, adopted at the preceding session, initially established the Joint Subcommittee. The panel was composed of 11 members: three members from the Senate, appointed by the Senate Committee on Privileges and Elections; five members from the House of Delegates, appointed by the Speaker of the House; and three citizens, appointed by the Governor.

The Joint Subcommittee was charged with exploring and recommending ways to enhance small business opportunities; identifying archaic and onerous regulations that impede business; and monitoring federal programs to determine what, if any, complementary state action would be necessary--with the comprehensive objective of recommending ways to assist the Commonwealth's small businesses. SJR No. 128 directed the joint subcommittee to report its findings and recommendations to the Governor and the 1995 Session of the General Assembly.

Because of the importance of small business to our economy, the General Assembly's creation of the joint subcommittee was welcomed by small business owners and advocates, overseers of the state's small business assistance programs, legislators, citizens and other interested parties. Nationally, small businesses account for 39 percent of the U.S. Gross Domestic Product and employ one-half of the country's workforce, according to the Small Business Administration. Of the net new jobs created between 1977 and 1990, nearly all were created by small businesses, according to one national survey.

Regardless of how one defines a small business, small firms contribute significantly to the Commonwealth's economic vitality. As illustrated on the following page, companies having fewer than 100 employees comprise 98 percent of Virginia's businesses and 44 percent of our private sector workforce.



From the thriving gourmet foods business in Norfolk sparked by three fruit trees in the backyard of a budding entrepreneur, to the specialty foods and gifts company at the Eastern Shore inspired by the natural treasures of the Chesapeake Bay, to the struggling new businesses throughout Virginia whose owners toil 80 hours per week just to stay afloat, small businesses are the lifeblood of Virginia's economy. These companies are sources of tax revenue and jobs; of innovation and inspiration.

Despite their ingenuity and investment, small business owners face significant obstacles in their paths to success. Poor planning, limited access to or knowledge of financing, and an absence of technical skills all contribute to premature business failures. Once established, smaller firms often have difficulty obtaining capital for expansion or lack the marketing or sales expertise that would enable them to better market their products or services. Because they don't have the resources and clout of their larger counterparts, all small businesses face the heightened challenges of providing affordable health care, managing structural shifts in the new world economy, and grappling with increasingly burdensome government regulation.

Many resources currently exist to help small businesses meet these challenges, but are underutilized or inadequately supported. New and creative programs are being developed. The Commonwealth's role is a vital one because mentoring a budding entrepreneur, filling a void in expertise, or locating financing at a critical juncture in the life of a small business often spells the difference between one that survives, grows, thrives and contributes to our economy and one that never gets the opportunity.

## II. WORK OF THE JOINT SUBCOMMITTEE

From its inception, the joint subcommittee's efforts were directed at achieving a more thorough understanding of the needs and problems of Virginia's small businesses and finding appropriate ways for the Commonwealth to facilitate their creation, growth and continued success. To meet these objectives, the full panel convened four meetings over its two-year existence, capsuled as follows:

- *October 21, 1993, Richmond.* The initial meeting featured presentations by several persons with expertise on issues of concern to small businesses, including health insurance, public procurement and defense conversion.
- *December 6, 1993, Norfolk.* Citizen input was received and regional issues discussed at the panel's public hearing.
- *October 25, 1994, Richmond.* Testimony from executive branch representatives and small business advocates focused on the state's small business assistance programs. Work groups were established to undertake further study of several items under consideration.
- *December 14, 1994, Richmond.* Reports of the work groups were presented and recommendations made at the joint subcommittee's final meeting.

### Challenges confronting small businesses

Many of the problems facing small firms--from their developmental stages through their mature phases--relate to the need for resources. These challenges are not new or surprising. Small business owners often lack the requisite expertise in planning, marketing or financial analysis. They are constantly faced with the need for capital. With limited assistance, these companies can usually weather the rough spots; without such help, they often cannot. Virginia's Small Business Development Center (VSBDC) tracks the frequency with which small businesses seek help on varying issues. According to a feature series on small business in the *Richmond Times-Dispatch*, during a nine-month period ending June 30, 1994, the SBDCs offered assistance to small businesses 2,541 times on the following issues: business start-up/acquisition (45 percent); source of capital (22); marketing/sales (17); financial analysis/accounting (9); other (7).

While small business proprietors seemingly accept these traditional areas of concern as given, the joint subcommittee learned they are equally frustrated by problems over which they have little control. One subject of particular concern to many small businesses is perceived over-regulation. The panel heard from several small business owners and advocates who believe that onerous regulatory requirements hinder their abilities to conduct business.



Owners of small companies also expressed frustration because they would like to provide and contribute to at least a portion of their employees' health insurance coverage, but often cannot do so because of inadequate access to coverage and the prospect of large premium increases. Subcommittee members reviewed several of the reforms that the General Assembly has passed during its past three sessions aimed at making coverage more available and affordable. Such initiatives included a requirement that insurers guarantee issue of two insurance products to groups of less than 25 and a movement away from experience rating in this market, where it is currently estimated that a 600 percent spread in rates exists for small employer groups, toward a community rating system. The panel acknowledged that the Legislature should monitor implementation of these reforms and continue to improve conditions in the small employer health insurance market.

Another challenge facing small businesses involves dealing with the negative effects of defense downsizing. During its initial year of study, the joint subcommittee was briefed on the work of the small, minority- and women-owned businesses committee of the Governor's Commission on Defense Conversion and Economic Adjustment. Cited by the committee as obstacles confronting small businesses were a:

- Lack of coordination and communication within the small business community and between small business and government;
- Competitive market where larger firms generally not interested in small jobs are crowding out small businesses lacking the resources to compete;
- Financial community that has limited access to capital in such a manner that firms with no debt and excellent credit histories are unable to secure bonding or loans to fund growth; and
- Government procurement process that does little to encourage small business participation, particularly at the state level.

The committee's recommendations included enhancing the SBDC program and facilitating cooperative interaction between the Virginia Small Business Advisory Board, the VSBFA, the VSBDC program and other advocacy programs to develop additional and alternative sources of capital access.

The joint subcommittee learned that another problem for many small businesses involves their perceived inability to receive fair consideration when attempting to secure public contracts pursuant to the Virginia Public Procurement Act. Some testimony before the panel indicated the Act was not serving its intended purposes of obtaining high quality goods and services at reasonable prices,

promoting competition, and providing equal access to the procurement process. The minimal notice requirements of the Act and the nature and extent of its exceptions were said to chill whatever competition it may be attempting to foster. Among the recommendations made to the panel were to revise the Act to: (i) define award standards for competitive bidding and competitive negotiation; (ii) require a central posting place for all requests for proposal; and (iii) establish a small business procurement program.

Acknowledging that resources for small business assistance programs, government regulation, health insurance, defense conversion, public procurement and other issues of interest to small businesses need the continued attention of legislators, the joint subcommittee, under the direction of its chairman, established a work group to study the feasibility and advisability of establishing a permanent legislative commission to study issues of concern to small businesses. Another work group was created to examine other issues warranting immediate attention, specifically: funding proposals for the VSBDC, VSBFA and for microenterprise initiatives; enterprise zone program issues and proposals under consideration by the Senate Finance Committee and the Allen Administration; and a proposal to increase access to venture capital for the Commonwealth's small businesses.

### **Oversight Work Group**

Chairman Walker, who served as an ex officio member of both work groups, selected Delegate Thomas to chair the Oversight Work Group and appointed the following members of the joint subcommittee to serve with him: Delegates Callahan and Barlow, Senator Bell, and Mr. Young. This work group was charged with examining the feasibility and desirability of establishing a permanent legislative commission on small business and facilitating the preparation of the joint subcommittee's report to the Governor and the General Assembly.

The work group reviewed the framework of other legislative commissions in Virginia, such as the State Water Commission, the Joint Commission on Health Care, the Coal and Energy Commission, and the Commission on Early Childhood and Child Day Care Programs. It also examined similar concepts in other states and sought input from interested parties.

The work group determined that other Virginia legislative commissions have served their intended purposes of providing focused attention on a specific subject area and noted that the concept of a small business commission was supported by the Virginia Small Business Advisory Board, VSBFA, Virginia Chamber of Commerce, National Federation of Independent Business and Virginia Retail Merchants Association. Staff informed the work group that experiences in a few other states had been positive among legislators, their constituents and small business owners.

Determining that a legislative commission focusing on issues of concern to small businesses would be beneficial both to policymakers and the small business community, the work group advised the joint subcommittee that it recommend a legislative commission on small business be established.

### **Economic Development Work Group**

This work group was chaired by Senator Schewel and consisted of the following joint subcommittee members: Delegates Behm and Bloxom, Mr. Conrad, and Ms. Levy. It was requested to review and make findings and recommendations, as appropriate, on the following:

Funding proposals. Proposals were to include, but not be limited to, funding for the VSBDC, VSBFA, and for microenterprise initiatives;

Enterprise zone program. Examine issues and proposals under consideration by the Senate Finance Committee and the Allen Administration;

Venture capital. Identify issues relating to the Virginia Chamber of Commerce's venture capital proposal that need further study.

No specific action was recommended by the work group on the second and third items listed above. The Virginia Enterprise Zone Act, enacted in 1982, was designed, through business tax incentives, to help overcome market barriers and encourage new and expanding businesses that meet prescribed eligibility requirements to locate in distressed areas of the state. Citing the program's complexity and the comprehensive study of it during the 1994 interim by a subcommittee of the Senate Finance Committee and additional scrutiny by the Allen Administration--which were likely to yield legislative initiatives for the 1995 Session--the work group determined that it, and the joint subcommittee, should defer to their efforts.

Venture capital is money lent to a new business, usually in return for a stake in the company, and is typically for riskier ventures which have opportunity for higher returns because the business is expected to grow quickly and significantly. At the joint subcommittee's October 1994 meeting, a representative of the Small Business Committee of the Virginia Chamber of Commerce recommended the Commonwealth facilitate the location of a sizable pool of venture capital in Virginia, possibly by allowing a venture capital fund manager to manage Virginia Retirement System venture capital funds. Although the work group did not examine this particular proposal, it determined that venture capital can be a source

of financing for some small businesses, but is primarily targeted for larger companies and for high technology and high growth firms.

*Virginia Small Business Development Center.* The VSBDC, established by the General Assembly in the late 1980's, consists of 21 centers strategically located throughout the Commonwealth, representing the most extensive business development program in Virginia. The VSBDC business development network is an innovative federal, state and local partnership jointly funded by the United States Small Business Administration, the Virginia Department of Economic Development, and a broad spectrum of local sponsors. SBDCs offer comprehensive technical business assistance to the small business community through direct, one-to-one counseling and educational training in customized workshops and seminars. The types of assistance include:

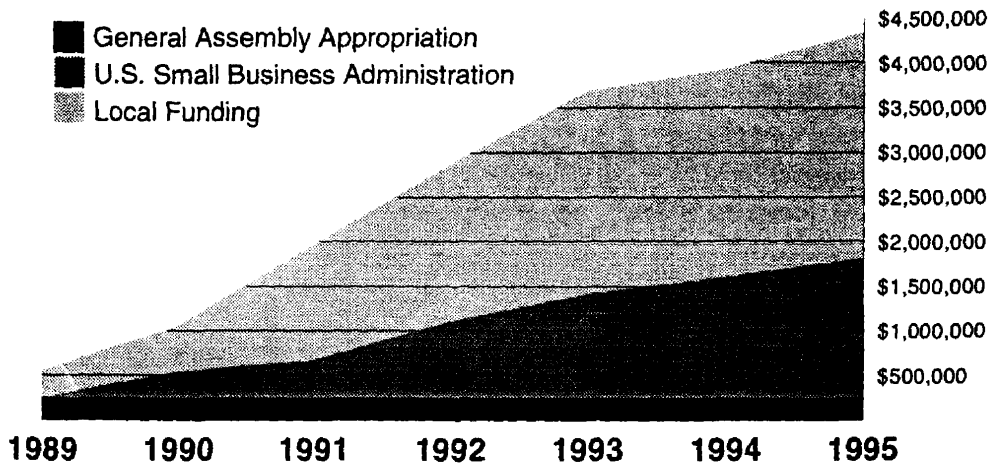
- |   |                                |
|---|--------------------------------|
| * Business planning                         | * Marketing                    |
| * Preliminary export assistance             | * Economic and business data   |
| * Women's Business Enterprise Certification | * Business resource library    |
| * Business financing sources                | * Site location analysis       |
| * Licensing and regulation information      | * Cash flow and tax counseling |
| * Specialized training workshops            |                                |

According to information furnished to the work group, SBDCs have served 3,900 clients, created or saved 8,600 jobs for Virginians, and generated \$8.3 million in tax revenues. However, the centers are unable to adequately serve all of their potential clients because they lack the resources to do so, and, in fact, the SBDCs do not aggressively market their services for this reason.

The current annual appropriation by the General Assembly of \$250,000 has not been increased since the program's inception, despite growth from three locations to the current network of 21 locations. The state's investment now represents only six percent of the total funding for the program (see graph appearing on the following page) and the SBA has invested nearly the maximum amount it can provide. Moreover, when compared to the funding of SBDC programs in other states in proximity to Virginia, Virginia lags well behind. A second illustration on page 8 compares state funding levels for SBDCs.

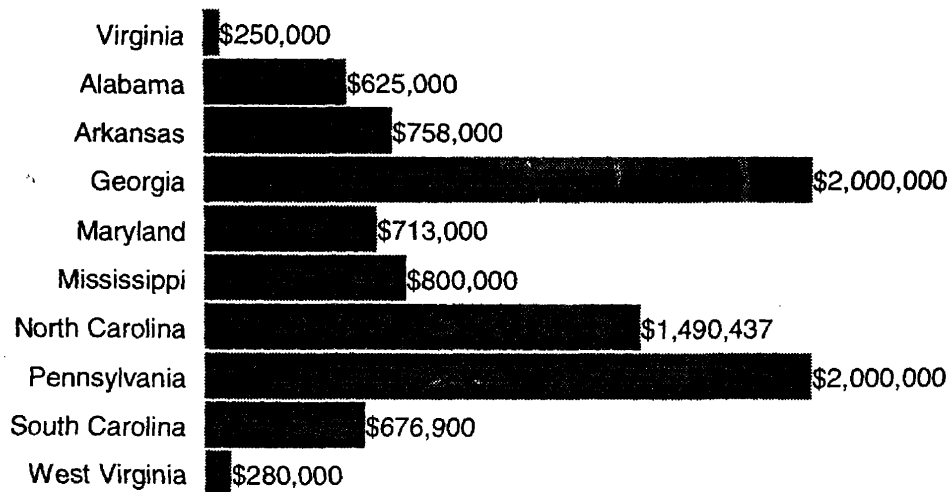
Recognizing its documented successes, importance and need for expansion, the work group advised the joint subcommittee to recommend an increase of \$750,000 in the annual appropriation for the Virginia Small Business Development Center.

## Virginia Small Business Development Center *Funding by Source*



Source: Small Business Development Center.

## Small Business Development Centers *Comparison of State Appropriations*



Source: Small Business Development Center.

*Virginia Small Business Financing Authority.* The VSBFA, created by the General Assembly in 1984, is the state's principal program to facilitate financing options for the small business community. Through its creative development and array of programs, the VSBFA has assisted small businesses in the Commonwealth in overcoming the obstacles they often face when trying to obtain financing. These include a loan guaranty program for working capital which guarantees up to \$250,000 or 50 percent, whichever is less, of a bank loan, industrial development bond financing, export financing assistance and a child day care loan program.

Information provided to the work group indicated that the VSBFA has approved \$148 million in loans, created or saved 5,821 jobs, and generated \$5.6 million in tax revenues. The VSBFA received only a one-time appropriation from the General Assembly in 1984 of \$1 million and funds have been leveraged to capacity. The work group learned that an annual appropriation of \$500,000 to fund the loan reserve requirements of the successful loan guaranty program and establish a capital access program as another valuable tool to increase bank lending could be leveraged to provide \$7.3 million in loans annually to the small business community.

To assist small businesses in meeting their critical need for financing, the work group advised the joint subcommittee to recommend the Virginia Small Business Financing Authority be appropriated \$500,000 annually.

*Microenterprise initiatives.* The microenterprise concept addresses three critical needs of aspiring low-income entrepreneurs: credit availability, transaction costs, and business skills. Microenterprise funds provide very small loans (usually from \$500 to \$25,000) to recipients who have not previously borrowed money. The loans are not designed to lower financing costs or to fund high-risk ventures, but to provide access to financing at market cost.

Banks typically do not fund microloans because of the transaction costs associated with processing such small loans, the risks of making loans to borrowers without credit histories, and a lack of financial or business expertise on the part of applicants. Microenterprise funds fill a market niche for these borrowers.

Responding to a request from the General Assembly, the Department of Housing and Community Development developed a plan for a microenterprise loan program, termed the Virginia Enterprise Initiative. It would provide targeted assistance to 15 urban and rural community-based organizations to initiate or expand a microenterprise program. With a two-year budget of \$3 million, the initiative would provide grants, business training, and technical assistance to the 15 programs. Testimony to the work group indicated that the initiative should yield over 1,600 direct full-time jobs.

Recognizing that access to credit and business skills training are critical factors in generating economic opportunity for low-income citizens of Virginia, the work group advised the joint subcommittee to recommend that the Commonwealth should encourage and support microenterprise initiatives for Virginia's low-income citizens as set forth in the Virginia Enterprise Initiative.

## **Deliberations and Recommendations**

During the course of its study, the joint subcommittee found that viable and successful new, growing and established small businesses are critical to Virginia's economic vitality. Small companies comprise nearly all of the Commonwealth's firms and almost one-half of our private sector workforce, create the vast majority of our new jobs, and are significant sources of innovation.

The panel also learned that small businesses often have needs that exceed their resources. They may not have sufficient expertise in every aspect of their operations or they may have limited access to capital. This is especially the case for Virginia's low-income entrepreneurs. Smaller companies, in particular, are faced with the problems of health care availability and affordability, defense industry downsizing, and government regulation. These problems may be compounded because it is often problematic for small business owners to express their concerns to legislators in a cohesive manner.

The joint subcommittee determined that it needed to focus its efforts on recommending ways to provide the small business community with additional resources and support, recognizing that the Commonwealth's economic well-being rests heavily on the ability of our small businesses to survive, grow and, ultimately, to thrive.

One of the ways to provide such support is to ensure that small businesses have a voice in the legislative arena. As the General Assembly struggles with health care, economic development, environmental concerns, workers' compensation and other issues, it often becomes difficult to gauge how such legislative initiatives impact Virginia's small firms. In contrast to the existence of the Virginia Small Business Advisory Board, whose primary mission is to advise the executive branch on small business matters, there is no similar policy focus in the legislative branch of government.

Therefore, the joint subcommittee recommends that the General Assembly enact legislation establishing a permanent legislative commission on small business. The joint subcommittee's recommended legislation appears as Appendix B. The commission, which would consist of six members from the House of Delegates, four members from the Senate, and two citizens appointed by the Governor, would be charged with reporting annually to the Governor and the

General Assembly and would study the impact of existing statutes and proposed legislation affecting small businesses; assess Virginia's small business assistance programs and examine ways to enhance their effectiveness; and provide small business owners and advocates a forum in which to address their concerns.

The joint subcommittee also found that the Commonwealth's two primary small business assistance programs--the Virginia Small Business Development Center and the Virginia Small Business Financing Authority--have had documented successes in creating and sustaining jobs for Virginians. The 21 SBDCs provide comprehensive technical business assistance to small firms throughout the Commonwealth, but do not have sufficient resources to meet the demand for their services. The General Assembly's annual appropriation to the program has remained at \$250,000 since its inception, despite its significant growth. In addition, state support for Virginia's SBDC does not approach that in many states in our region.

Therefore, to provide additional resources enabling increased utilization of its successful services, the joint subcommittee recommends that the 1995 Session of the General Assembly appropriate an additional \$750,000 for the Virginia Small Business Development Center in the second year of the current biennium.

The VSBFA is the Commonwealth's principal program to facilitate financing options for the small business community. Currently, it manages five programs, including a loan guaranty program which enables some small businesses to secure financing that they would otherwise be unable to obtain, and it plans to establish a capital access program. However, the VSBFA has not received any appropriation from the General Assembly since 1984 and funds are currently leveraged to capacity. As a result, small businesses in need of financing are being turned away.

Recognizing that an infusion of money would enable the VSBFA to leverage the funds and provide much-needed loans to the small business community, the joint subcommittee recommends that the 1995 Session of the General Assembly appropriate \$500,000 for the Virginia Small Business Financing Authority in the second year of the current biennium. A letter to the staff directors of the Senate Finance Committee and the House Appropriations Committee requesting funding for the VSBDC and the VSBFA appears as Appendix C.

Subcommittee members learned that the problems of Virginia's low-income entrepreneurs are often more pronounced in terms of their need for business skills training and access to financing. A microenterprise loan program is intended for this segment of the small business community through the provision of small loans, training and mentoring to prospective business owners who have not previously borrowed money. The panel recognized the merits of the microenterprise loan program developed by the Department of Housing and Community Development,



termed the Virginia Enterprise Initiative. This initiative would provide support to 15 community-based organizations to start or expand a microenterprise program.

To better enable the Commonwealth's low-income citizens to launch successful small businesses, the joint subcommittee recommends that the Commonwealth encourage and support microenterprise initiatives as set forth in the Virginia Enterprise Initiative and further recommends that the 1995 Session of the General Assembly adopt a resolution expressing its support for microenterprise initiatives for Virginia's low-income citizens. The joint subcommittee's recommended legislation appears as Appendix D.

### **III. CONCLUSION**

Recognizing the importance of small businesses to the Commonwealth's economic vitality, the General Assembly authorized a two-year study on ways to assist small business in Virginia.

During the course of its work, the panel learned that inspired ideas, personal investment and long hours are sometimes not enough for small business owners. Their companies have substantial hurdles to overcome in the way of obtaining capital, honing business skills and meeting regulatory requirements. The joint subcommittee determined that the Commonwealth's role is often critical in enabling these firms, which provide most of the new jobs for our economy, to grow and prosper and believes that implementation of its recommendations to provide the small business community with additional resources and support will prove beneficial to all of the Commonwealth's citizens.

Respectfully submitted,

Stanley C. Walker, Chairman  
A. Victor Thomas, Vice Chairman  
Elliot S. Schewel  
J. Brandon Bell II  
William K. Barlow  
Vincent F. Callahan, Jr.  
Robert S. Bloxom  
I. Vincent Behm, Jr.  
Walter P. Conrad  
Pauline Levy  
David C. Young

## SENATE JOINT RESOLUTION NO. 128

*Continuing the Joint Subcommittee Studying Ways to Assist and Encourage Small Business in Virginia.*

Agreed to by the Senate, February 8, 1994

Agreed to by the House of Delegates, February 25, 1994

WHEREAS, there exists in the Commonwealth a need to assist small business in areas such as obtaining financing for new business or expanding existing business in order to encourage industrial and long-term economic development of the Commonwealth through improving its tax bases and promoting employment; and

WHEREAS, the General Assembly adopted Senate Joint Resolution No. 314 at the 1993 Session to study ways to assist small businesses; and

WHEREAS, the joint subcommittee heard considerable and invaluable testimony on issues important to small businesses; and

WHEREAS, the complexity, breadth, and importance of these issues warrant further scrutiny by the joint subcommittee and the General Assembly; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee Studying Ways to Assist and Encourage Small Business in Virginia be continued.

The joint subcommittee shall continue to (i) explore and recommend ways to enhance business opportunities; (ii) identify archaic and onerous regulations that impede business; (iii) monitor federal programs to determine what, if any, complementary state action is necessary; and (iv) consider the health, welfare and safety of the Commonwealth's citizenry and the protection of the state's environment when formulating any recommendations.

The membership of the joint subcommittee shall remain the same with any vacancy to be filled in the same manner as the original appointment.

The Department of Commerce and Trade shall provide technical assistance and all other agencies of the Commonwealth shall provide assistance upon request as may be deemed appropriate by the joint subcommittee.

The joint subcommittee shall complete its work in time to submit its findings and recommendations to the Governor and the 1995 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The direct costs of this study shall not exceed \$6,000.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

SENATE BILL NO. \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

1 A BILL to amend the Code of Virginia by adding in Title 9 a chapter numbered 43, consisting  
2 of sections numbered 9-334 through 9-337, relating to establishing the Small Business  
3 Commission.

4 Be it enacted by the General Assembly of Virginia:

5 1. That the Code of Virginia is amended by adding in Title 9 a chapter numbered 43,  
6 consisting of sections numbered 9-334 through 9-337 as follows:

7 CHAPTER 43.

8 SMALL BUSINESS COMMISSION.

9 § 9-334. Small Business Commission established; purpose. The Small Business  
10 Commission is hereby established as a legislative agency of the Commonwealth and is  
11 hereafter referred to in this chapter as the "Commission." The purpose of the Commission  
12 shall be, through the exercise of its powers and performance of its duties set forth in this  
13 chapter, to study, report and make recommendations on issues of concern to small  
14 businesses in the Commonwealth.

15 § 9-335. Membership; terms; vacancies; chairman and vice chairman; compensation.

16 A. The Commission shall consist of 12 members as follows: six members from the  
17 House of Delegates, to be appointed by the Speaker of the House; four members from the  
18 Senate, to be appointed by the Senate Committee on Privileges and Elections; and two  
19 members from the Commonwealth at large, each of whom shall have previously demonstrated  
20 small business experience or expertise, to be appointed by the Governor.

21 B. All appointments to the Commission shall be for terms of four years. Vacancies  
22 occurring other than by expiration of term shall be filled for the unexpired term. Whenever  
23 any legislative member fails to retain his membership in the house from which he was

1 appointed, he shall relinquish his membership on the Commission and the appointing  
2 authority who appointed such member shall make an appointment from his respective house  
3 to complete the term. Any member may be reappointed for successive terms.

4 C. The members of the Commission shall elect a chairman and a vice chairman  
5 annually.

6 D. Legislative members of the Commission shall receive such compensation as is set  
7 forth in § 14.1-18 and all members shall be reimbursed for their actual expenses incurred by  
8 them in the performance of their duties in the work of the Commission.

9 § 9-336. Powers and duties of the Commission. The Commission shall have the power  
10 and duty to:

11 1. Evaluate the impact of existing statutes and proposed legislation on small  
12 businesses.

13 2. Assess the Commonwealth's small business assistance programs and examine  
14 ways to enhance their effectiveness.

15 3. Provide small business owners and advocates with a forum to address their  
16 concerns.

17 4. Report annually its findings and recommendations to the Governor and the General  
18 Assembly.

19 § 9-337. Staff; cooperation from other state agencies. The Division of Legislative  
20 Services shall serve as staff to the Commission. All agencies of the Commonwealth shall  
21 assist the Commission upon request.

22 #

COMMONWEALTH OF VIRGINIA



STANLEY C. WALKER  
6 TH SENATORIAL DISTRICT  
NORFOLK  
PLUME CENTER WEST BUILDING  
P.O. BOX 3628  
NORFOLK, VIRGINIA 23514

COMMITTEE ASSIGNMENTS:  
EDUCATION AND HEALTH, CHAIRMAN  
GENERAL LAWS  
FINANCE  
PRIVILEGES AND ELECTIONS  
RULES

SENATE

January 9, 1995

John M. Bennett, Staff Director  
Senate Finance Committee Staff  
General Assembly Building - 10th Fl.  
Richmond, VA 23219

Rebecca L. Covey, Staff Director  
House Appropriations Committee Staff  
General Assembly Building - 9th Fl.  
Richmond, VA 23219

Dear John and Becky:

I am writing to you as Chairman of the Joint Subcommittee Studying Ways to Assist Small Business in Virginia (pursuant to Senate Joint Resolution No. 128 of 1994). During this past interim, our joint subcommittee has been examining how we can provide additional resources and support to the small business community.

Charged with reporting our findings and recommendations to the Governor and the 1995 Session of the General Assembly, the joint subcommittee determined that the State's small business assistance programs are critically important and successful, but found that they are hindered by inadequate resources. Recognizing that increased funding is needed to meet the growing demand for services, the joint subcommittee is recommending that the 1995 Session of the General Assembly appropriate an additional \$750,000 to the Virginia Small Business Development Center and appropriate \$500,000 to the Virginia Small Business Financing Authority in the second year of the current biennium.

The members of our joint subcommittee look forward to working with you and your staffs, the money committees and the members of the General Assembly during the legislative session on this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley C. Walker".

Stanley C. Walker

SCW/mcp

LD0661753

12/28/94 11:28 AM

Mark C. Pratt

## SENATE JOINT RESOLUTION NO. \_\_\_\_\_

1 Expressing the sense of the General Assembly that the Commonwealth should encourage and  
2 support microenterprise initiatives for Virginia's low-income citizens.

3 WHEREAS, the General Assembly established a Joint Subcommittee to Study Ways to  
4 Assist Small Business; and

5 WHEREAS, the Joint Subcommittee recognized that low-income citizens of the  
6 Commonwealth have particular needs relating to access to credit and business skills training;  
7 and

8 WHEREAS, the Joint Subcommittee reviewed the recommendations in the Department  
9 of Housing and Community Development's response to a General Assembly request that it  
10 develop a plan for implementing a microenterprise loan program; and

11 WHEREAS, the microenterprise concept addresses three critical needs: credit  
12 availability, transaction costs and business skills; and

13 WHEREAS, microenterprise funds provide very small loans to recipients who have not  
14 previously borrowed money, which funds are not designed to lower financing costs or to fund  
15 high-risk ventures, but to provide access to financing at market cost; and

16 WHEREAS, the Department of Housing and Community Development's recommended  
17 plan, the Virginia Enterprise Initiative, builds on four concepts: leveraging resources,  
18 developing public/private partnerships, ensuring program flexibility and reducing barriers to  
19 market entry; and

20 WHEREAS, the Virginia Enterprise Initiative would provide support to fifteen rural and  
21 urban community-based organizations to initiate or expand a microenterprise program; and

22 WHEREAS, the Joint Subcommittee recommended that the Commonwealth should  
23 encourage and support microenterprise initiatives for Virginia's low-income citizens as set  
24 forth in the Virginia Enterprise Initiative; now, therefore, be it

