

REPORT OF THE

Virginia Small Business Commission

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



SENATE DOCUMENT NO. 40

**COMMONWEALTH OF VIRGINIA
RICHMOND
2001**

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REPORT OF THE VIRGINIA SMALL BUSINESS COMMISSION

**To: The Honorable James S. Gilmore, III, Governor of Virginia
and
The General Assembly of Virginia**

**Richmond, Virginia
May 2001**

I. INTRODUCTION

This report summarizes the activities during 1999 and 2000 of the Virginia Small Business Commission. The Virginia General Assembly established the Commission in 1995 for the purpose of promoting the interests of Virginia's small businesses. The Commission is required by § 9-336 of the Virginia Code to:

- Evaluate the impact of existing statutes and proposed legislation on small businesses.
- Assess the Commonwealth's small business assistance programs and examine ways to enhance their effectiveness.
- Provide small business owners and advocates with a forum to address their concerns.
- Report annually its findings and recommendations to the governor and the General Assembly.

The Commission is comprised of 14 members, including six members from the House of Delegates, four members from the Senate and four at-large members appointed by the governor. The at-large members are required to be individuals with small business experience or expertise.

The House of Delegates members of the Commission are A. Victor Thomas of Roanoke, Robert S. Bloxom of Mappsville, Vincent F. Callahan, Jr., of McLean, R. Lee Ware of Powhatan, Donald L. Williams of Norfolk, and Franklin P. Hall of Richmond. The Senate members of the Commission are Nicholas D. Rerras of Norfolk, Charles R. Hawkins of Chatham, and Russell H. Potts, Jr. of Winchester. In addition, Edward L. Schrock of Virginia Beach served as a Senate member of the Commission until his election to Congress in November 2000. The gubernatorial appointees are Robert A. Archer of Salem, Gregory John Carneal of Fredericksburg, Daniel Caseman of Hamilton, and Bernice E. Travers of Richmond.

The activities of the Commission during 1997 and 1998 are addressed in the Commission's 1999 report, which is published as Senate Document 33. The Commission did not meet in 1999. The Commission met twice -- on July 25 and October 17 -- between the 2000 and 2001 General Assembly sessions.

At the Commission's meeting on July 25, 2000, Delegate Thomas was elected to serve as the Commission's chairman and Senator Rerras as its vice-chairman.

II. STATE SMALL BUSINESS ASSISTANCE PROGRAMS

A. Small Business Financing Authority

The Virginia Small Business Financing Authority (VSBFA), a political subdivision of the Commonwealth, has offered a variety of loan and guaranty programs through public-private partnerships to provide financing to Virginia businesses for growth and expansion. Established in 1994, VSBFA offers industrial development bonds, a loan guaranty program, export financing assistance and similar programs including defense conversion and child day care financing programs. In 1997, two new VSBFA-administered programs -- the Virginia Small Business Growth Fund and the Virginia Export Loan Guarantee Fund -- were established.

The Small Business Growth Fund loan loss reserve fund is designed to promote private market lending to small-business loan customers who may be otherwise ineligible for conventional business loan financing. The Small Business Growth Fund (also known as the Virginia Capital Access Fund) provides loan loss reserve funds for participating banks through matching VSBFA funds. The loan loss reserve fund (containing contributions by borrowers and lenders that are combined with matching amounts from the VSBFA) is designed to promote private market lending to small business loan customers who may be otherwise ineligible for conventional business loan financing. The 1997 General Assembly furnished a \$350,000 appropriation to the fund, which is expected to help leverage approximately \$10 million in new loans.

The Export Loan Guarantee Fund, designed to increase international trade in Virginia, authorizes the VSBFA to guarantee up to 90 percent of the principal amount of commercial loans for the purpose of facilitating the sale of goods, products or services outside the U.S. by persons using a Virginia air, land or sea port for their shipment, up to a maximum of one million dollars in outstanding loan guarantees at any one time. The 1997 General Assembly provided \$750,000 for the Fund in its inaugural year.

The VSBFA also administers the Child Day Care Financing Program. The Program provides loans of up to \$25,000 for improvements in child day care programs and facilities. The program exists because bank financing for child care centers and providers is reportedly difficult to obtain since (i) prospective borrowers usually have little collateral, and (ii) day care businesses operate on thin profit margins.

B. Department of Business Assistance

Department of Business Assistance (DBA) Director David Dickson presented the Commission with an overview of the Department and some of its major programs. The DBA operates on three principles: to strengthen the economy, to be a principal point of contact for small business, and provide small businesses with access to resources that can assist them. The DBA oversees the Small Business Development Center (SBDC) program as well as the Virginia Business Incubator Program. The incubator program, founded in 1998, provides government

support of 29 new programs encouraging small business development. These urban- and rural-based programs include redevelopment of the City of Franklin and the former military bases at Vint Hill Farms and Fort Pickett. A copy of the DBA's update on small business technical assistance programs is attached as Appendix A.

The Small Business Development Center Program provides management assistance and technical advice to small to medium-sized start-ups for new and existing businesses. The centers provide training in a variety of subjects, including how to start a business, manage cash flow, raise capital, and develop a business plan. This statewide program, funded through federal, state, and private financing, operates out of 26 regional offices throughout the Commonwealth. SBDC clients generally have fewer than 100 employees.

The SBDC program is funded by the U.S. Small Business Administration (SBA), the Virginia DBA, and local sponsors. In calendar year 1999, the program counseled more than 4,090 business clients, just over half of whom are existing businesses. The most popular areas of counseling include business planning, sources of capital, marketing and sales, and financial analysis. The program conducted more than 580 training events around the Commonwealth.

The SBDC program was fully certified by the SBA in October 1999, and a representative from Virginia's program was selected to be on the national certification team due to Virginia's strong positive performance. The program has plans to open new centers in Danville and Allegheny Highlands, as well as fund the SBA's One-Stop-Capital-Shop. The SBDC continues to support the City of Franklin and has hired a part-time worker to process loan packages in Southwest Virginia.

C. Department of Housing and Community Development

The Virginia Department of Housing and Community Development (DHCD) administers the Virginia Enterprise Initiative (VEI) Program. The Program was developed in 1995 to address the inability of small businesses to obtain microloans. A prospective entrepreneur needing a relatively small loan of a few thousand dollars to start a business may be unable to obtain a business loan from banks, credit unions or other conventional lenders for the reason that loan underwriting and processing costs relative to the size of the loan result in very small profit margins.

M. Shea Hollifield, Deputy Director of DHCD, provided the Commission with an update on the program at the October 17 meeting. VEI provides modest start-up loans—many under \$10,000—to low- and moderate-income individuals who want to start businesses but are unable to qualify for conventional business loans supported by the SBDC program. VEI has four components: training, technical assistance, micro-loans and follow-up support. The VEI also provides seed money for groups starting microenterprise programs. The VEI was described as serving a niche largely unserved by other programs. While VEI has a relationship with Small Business Development Centers, the programs are directed at serving different clients. The SBA provides funding for loan pools, though most VEI loan recipients have not built up a sufficient credit record to qualify for SBA loans. The DHCD works with the Virginia Microenterprise Network in administering the VEI.

under this program are capped at \$25,000, and the average size is \$10,500. The SBA's representatives applauded the DHCD-administered VEI as one of the best synergistic programs between state and federal governments, and suggested that funding for the program be increased.

Other recommendations offered by the SBA representatives to improve the interaction of programs offered by Virginia and the SBA include (i) establishing a tax credit for payments of SBA fees; (ii) using money in the Virginia Economic Development Revolving Loan Fund to replace a portion of the required bank financing, in order to reduce the owner contribution requirements where the state deems appropriate; and establishing a joint SBA-state loan loss reserve fund under the Virginia Capital Access Program.

IV. COMMONWEALTH COMPETITION COUNCIL REPORT

Established in 1995, the Commonwealth Competition Council exists to identify government services that could or should be better performed, in whole or in part, by the private sector. Additionally, the Council is required to develop a competitive program to encourage innovation and competition within state government. In 1997, the General Assembly directed the Council to furnish an annual report on its activities to the Small Business Commission. The following year, two members were added to the Council as joint members of both the Small Business Commission and the Council, and the Council's mission was changed to include monitoring the practices of government and nonprofit organizations to preserve private enterprise.

Phil Bomersheim, the Council's executive director, briefed the Commission at its July 2000 meeting on the Council's mission and accomplishments. He described the five-step process by which the Council identifies government programs or services that could be aided by competition. The privatization and competition review process focuses on cost, quality and impact. Several government services currently under review by the Council include debt collection by the tax department, bookstore operations at a community college, and computer repair services by a criminal justice agency. The Council has a Website that receives approximately 7,700 hits per month, more than 3,500 of which are from businesses.

Section 9-340 of the Code of Virginia defines "commercial activity" as "performing services or providing goods which can normally be obtained from private enterprise." In 1998, Virginia was the first state to publish a list of more than 218 commercial activities performed by state government. The report was not widely circulated among small businesses, but has been updated and will be on the Council's Website by the end of the month.

Senate Joint Resolution 219 (2000) asked the Council to study the ongoing or permanent commercial activities of not-for-profit organizations and the effects of such activities on business and state revenues. As a part of its examination of these issues, the Council will receive comments from non-Council members during a series of public hearings. The Council also has a discussion forum on its Website for public use.

V. VCU SURVEY OF SMALL BUSINESS NEEDS

Dr. Pamela Keicker of Virginia Commonwealth University presented the Commission with the results of the University's survey of small-business needs. The survey was circulated among more than 3,000 businesses in the Commonwealth, all with fewer than 100 employees. Two-thirds of the respondents had ten or fewer employees. A summary of the survey's findings is attached as Appendix B.

The majority of respondents represented consumer services, retailing, manufacturing or business services. Approximately 86 percent had not received counseling from the SBDC program. Respondents ranked personnel and marketing/sales equally as the most important issue to their business, well above the third most important, financing.

More than 60 percent use the Internet at least once a week. In the areas of personnel, equipment, unit sales, dollar sales and market share, just under half of the businesses expect to expand up to 25 percent during the next 12 months. In response to inquiries about businesses' preferred methods of receiving information about assistance programs, almost 64 percent stated that they preferred to receive the information by mail.

VI. PAPERWORK REDUCTION INITIATIVES

At the request of Chairman Thomas at the July 2000 meeting, staff compiled information regarding legislative efforts of other states to reduce the paperwork requirements imposed on small businesses. The results of the research were presented at the Commission's October 17, 2000, meeting. Two states (Tennessee and Florida) have implemented laws of general applicability to reduce the burden of paperwork on small businesses. The text of these state laws is attached as Appendix C.

The Tennessee Paperwork Reduction and Simplification Act of 1976 (Chapter 25 of Title 4 of Tennessee Code) was enacted pursuant to a policy to "reduce, simplify and minimize reporting requirements and the forms they necessitate to the fullest extent consistent with the necessity of gathering data sufficient to assure the efficient and effective operation of the necessary programs of state government." It applies to forms distributed by an agency for the purpose of gathering information from citizens or businesses. The forms reduction and management program is administered by the Department of General Services.

Major duties of the department include:

1. Making an inventory of all forms and a brief statement of the authorization, need and use for each;
2. Directing the destruction of unauthorized, unneeded, and unused forms;
3. Standardizing all forms;

4. Designing and requiring the use of composite forms by agencies seeking and needing the same or similar information from individuals or businesses;
5. Denying the use by any agency of a form to obtain information from individuals or businesses if the information can be obtained from another agency already gathering that information; and
6. Making annual reports, to include proposals for legislative action needed to improve forms reduction and management and a tabulation of areas of duplication in agency forms identified during the preceding year and efforts made to preclude the collection of duplicate information.

The Florida Paperwork Reduction (Part II of Chapter 23, Title IV, Florida Statutes) was enacted pursuant to findings that the paperwork burden associated with collecting information from individuals, private-sector organizations, and local governments may have a significant economic impact; (ii) the failure of state agencies to identify information they are collecting and to share that information with other agencies has increased the paperwork burden on other entities; and (iii) the collection of information must be done in a manner that balances the efficiency and cost-effectiveness of government with the cost and convenience to entities providing the information

Florida's law applies to executive branch agencies, the Executive Office of the Governor, state colleges and universities. It applies to the collection of information from 10 or more persons, other than departments or employees of this state. It applies to reduce the paperwork compliance burden on local governments as well as individuals and businesses. It does not address information collection activities of local governments.

Duties imposed on all department heads include (i) integrating information systems between programs and departments; (ii) implementing a paperwork review process designed to streamline information-collection processes that balance the cost and efficiency desired by the department with the cost and convenience to the reporting entities and avoid duplication; (iii) coordinating information gathering through such techniques as one-stop permitting, licensing, and public services; (iv) designing information collection forms to make them easy to understand and "user-friendly;" (v) evaluating existing and prospective statutes and rules for the paperwork burden they generate and seek modification of the statutes and rules to reduce the paperwork burden being placed on individuals, private-sector organizations, and local government; and (vi) identifying, clarifying and reducing records retention requirements placed on private-sector organizations and local governments.

Other attempts to ease businesses' paperwork burdens through state legislation have not been repealed. The Alaska Paperwork Reduction and Simplification Act (Chapter 37 of Title 35) was repealed in 1982. The Rhode Island Paperwork Reduction Law (Chapter 84.1 of Title 42) was repealed in 1993.

Though Virginia has never adopted a paperwork reduction law of general scope, it has enacted legislation applicable to narrow circumstances. Examples include:

- Small Business Technical and Environmental Compliance Assistance Program (Virginia Code § 10.1-1326)(1992), which facilitates compliance by small business stationary sources with the provisions of the federal Clean Air Act.
- School bus driver requirements (Virginia Code § 22.1-78), which provides that "insofar as practicable," application forms shall be designed to limit paperwork, avoid the possibility of mistake, and furnish all parties involved with a complete and accurate record of the information required.
- Special education health provider participation agreements (Virginia Code § 22.1-274.02), which require the Superintendent of Public Instruction and the Director of the Department of Medical Assistance Services to execute a memorandum of agreement relating to special education health services, which shall include a plan and schedule to reduce the administrative and paperwork burden of Medicaid participation on school divisions in Virginia.

The forerunner of state paperwork reduction legislation was the Federal Paperwork Reduction Act of 1980 (P.L. 96-511). The Act established the Office of Information and Regulatory Affairs (OIRA) within the Office of Management and Budget. OIRA is required to develop and implement Federal information policies and standards including policies concerning: (i) the reduction of the Government paperwork burden on the public; (ii) records management activities; (iii) the privacy of records pertaining to individuals; and (iv) the review of information collection requests. The Act also set a goal to reduce the Government paperwork burden by 15 percent by October 1, 1982, and by an additional 10 percent during the subsequent year.

Under the Act, each Federal agency is required to:

- Submit to OIRA for approval any proposed rule which requires an information collection requests.
- Carry out information management activities in an efficient, economical manner; to ensure that its systems do not overlap each other or duplicate systems of other agencies; to develop procedures for assessing the paperwork burden of its collection activities; and to ensure that each information collection request submitted to nine or fewer persons contains a notice that it is not subject to the provisions of this Act.
- Eliminate reporting requirements that seek information that is available through another Government source.
- Minimize compliance burden on respondents.
- Plan the tabulation of the information in a manner that maximizes its usefulness to other agencies.

In the current year, the VEI has provided loan funding for 16 microenterprise projects. In addition to the VEI money, recipients must provide matching funds. Interest rates on VEI microloans range from 4 to 12 percent. The current VEI projects are listed on Appendix D. Ms. Hollifield reported that the cost of the program has been \$2,426 per job created. Much of the costs is related to the provision of technical assistance and follow-up visits. Since 1995, 4,157 businesses have received funding assistance and 3,338 have received some form of technical assistance. While the failure rate of firms receiving VEI assistance is approximately 40 percent, that figure is less than the failure rate for all new businesses.

DHCD also administers the Regional Competitiveness Act. Pursuant to the Act, over \$6 million in grants has been provided to seven regional economic development partnerships. Small-business initiatives included micro-enterprise programs, technology workforce training, workforce assessment, and military privatization opportunities.

III. COORDINATION WITH SMALL BUSINESS ADMINISTRATION PROGRAMS

Charles Gaston and Andy Keller of the U.S. Small Business Administration (SBA) testified at the Commission's October 17, 2000, meeting. The SBA's appearance was prompted by interest of Commission members in ensuring that the financial assistance programs provided by the state and federal government are sufficiently coordinated to avoid overlapping while the panoply of needs facing small businesses are adequately addressed.

In response to questions regarding microenterprise lending, the SBA representatives praised the Virginia Enterprise Initiative. The SBA has a micro-lending program where it lends funds to intermediaries, most of whom are VEI participants. These loans are generally made to unsophisticated borrowers, and a great deal of follow-up is needed to ensure business success. After growing their business to adequate levels, the operators can then "graduate" to eligibility for the SBA's 7(a) loan program. Under the 7(a) program, loans are provided by lenders who apply for and receive a guarantee from the SBA for a portion of the loan. Under this program, the SBA guarantees up to \$750,000 of a private sector loan. The percentage guaranteed may be up to 80 percent of loans of \$100,000 or less, and 75 percent on loans greater than \$100,000. The SBA explained that they are working diligently to explain the program to private bankers and other lenders throughout Virginia. In the past, SBA programs have not been adequately marketed. In response, over the last year participation has grown from 400 to 656 deals.

The SBA is rolling out a pilot program for rural lending, to start in Accomack County. Aimed at low-to-moderate income rural areas, the program provides a guarantee rate of up to 85 percent. Other programs offered by the SBA include export working capital loans, international trade loans, and pollution control loans.

Under the SBA's microloan program, the SBA makes loan and grant funds available to community-based non-profit organizations acting as intermediate lenders. One such group in Richmond was the nation's leading microloan lender last year, with 112 transactions. Microloans

The Federal Paperwork Reduction Act was amended in 1995 to extend its scope to include educational and nonprofit institutions, Federal contractors, and tribal governments, and to require OMB to conduct pilot projects to test alternative policies and procedures, and to develop a government-wide strategic information resources management plan. Each federal agency was required to (i) establish a process, independent of program responsibility, to evaluate proposed collections of information; (ii) manage information resources to reduce information collection burdens on the public; and (iii) ensure that the public has timely and equitable access to information products and services. The amended Act called for a 10 percent reduction in the number of hours it would take to fill out government forms in fiscal year 1996, another 10 percent in 1997, and a 5 percent reduction in 1998. The Washington Post reported on August 14, 1998, that Congress was threatening to cut the OIRA's budget unless it produced 5 percent reductions for fiscal years 1999 and 2000.

In 1999, Congressman McIntosh introduced the Small Business Paperwork Reduction Act Amendments of 1999. Though the measure passed the House of Representatives by a vote of 270-151, it died in the Senate. The bill would have amended the Paperwork Reduction Act to:

- Require the Director of the Office of Management and Budget to: (1) publish annually in the Federal Register a list of requirements applicable to small business concerns with respect to collection of information by agencies (requiring the first such publication within one year after enactment of this Act); and (2) make such list available on the Internet (again within one year after enactment).
- Require each Federal agency, with respect to the collection of information and the control of paperwork, to establish one agency point of contact to act as a liaison with small businesses.
- Require each such agency, in the case of a first-time information collection violation by a small business, to impose no civil fine on such business unless: (i) the violation has the potential to cause serious harm to the public, impede the detection of criminal activity, or present a danger to public health or safety; or (ii) the violation concerns the collection of a tax or is not corrected within six months after violation notification.
- Prohibit a State from imposing a civil penalty on a small business for a first-time violation of Federal information collection requirements in a manner inconsistent with the federal Act.

In addition, the unsuccessful amendments would have required each agency to make efforts to further reduce the paperwork burden for small businesses with fewer than 25 employees.

At the Commission's October 17 meeting, Sandy Bowen of the Virginia Chamber of Commerce agreed to survey its members regarding the perceived need for paperwork reduction legislation in Virginia. The survey was completed by December 1, 2000. The results of the survey indicated that paperwork reduction is not a major concern to those members of the

Virginia Chamber that responded to the survey. Of 1,068 businesses surveyed, only 13 returned the portion of the survey dealing with paperwork reduction. Of these 13, none identified paperwork as a problem. Based on this data, the Commission declined to pursue the issue further.

VII. ISSUES CONCERNING VIRGINIA SMALL BUSINESSES

The Small Business Commission invited representatives of Virginia's small business community to appear at the October 17, 2001, meeting and identify their current needs. Sandy Bowen of the Virginia Chamber of Commerce named two major problems that her members have identified: Access to an adequate workforce and the cost of health insurance.

The shortage of workers is of crucial importance to Chamber members. Though the need for workforce training is a national problem, the Chamber noted that it is trying to develop workforce training initiatives, involving the technology sector and Virginia's community college system.

Ms. Bowen noted that the cost of health care is getting worse as inflation in this sector has reappeared. As a consequence of the shortage of workers, employers have had to offer health insurance as a benefit in order to attract and keep people. Employers have thus far tried to absorb the costs of providing health coverage. However, as the economy cools, their willingness to absorb these costs may flag. Though no suggestions were offered on how the problem should be addressed, Ms. Bowen observed that the opportunity to remedy the situation rests as much with Congress as with the states.

She urged Commission members to make their colleagues in the General Assembly aware that the Virginia Code contains many health insurance mandates that drive up the costs of coverage for the approximately 25 percent of firms subject to these state insurance laws. Other proposals offered in the past to address the cost of health coverage, such as the essential and standard plan, have not been well received in the market.

Jeff Sneddon of the Greater Richmond Chamber of Commerce relayed the concerns of his organization's members identified in its biannual survey. They include personnel, sales and marketing, and financing. With respect to the financing concern, he noted that members have partnered with the VEI and the SBA in their microloan programs.

Gordon Dixon of the Virginia Chapter of the National Federation of Independent Businesses identified rising costs of fuel and costs of health coverage as major concerns to the members of his organization.

Members of the Commission echoed the concerns with health coverage costs, and expressed an interest in the option of allowing small businesses to pool their purchases of health insurance in order to negotiate better insurance contract rates and terms. At the Commission's recommendation, Chairman Thomas wrote a letter to Patrick Finnerty, Executive Director of the

Joint Commission on Health Care expressing an interest in that Commission's work on issues involving the availability and affordability of health insurance in the small business market. A copy of the letter is attached as Appendix E.

VIII. CONCLUSION

The Commission would like to express its appreciation to all persons who assisted it in its efforts throughout 2000, and looks forward to continuing its efforts in 2001.

Respectfully submitted,

Delegate A. Victor Thomas, Chairman
Senator Nicholas D. Rerras, Vice Chairman
Delegate Robert S. Bloxom
Delegate Vincent F. Callahan, Jr.
Delegate Franklin P. Hall
Senator Charles R. Hawkins
Senator H. Russell Potts, Jr.
Delegate R. Lee Ware
Delegate Donald L. Williams
Robert A. Archer
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UPDATE ON SMALL BUSINESS
TECHNICAL ASSISTANCE PROGRAMS
FOR THE
VIRGINIA
SMALL BUSINESS COMMISSION

JULY 2000

Virginia Department of Business Assistance

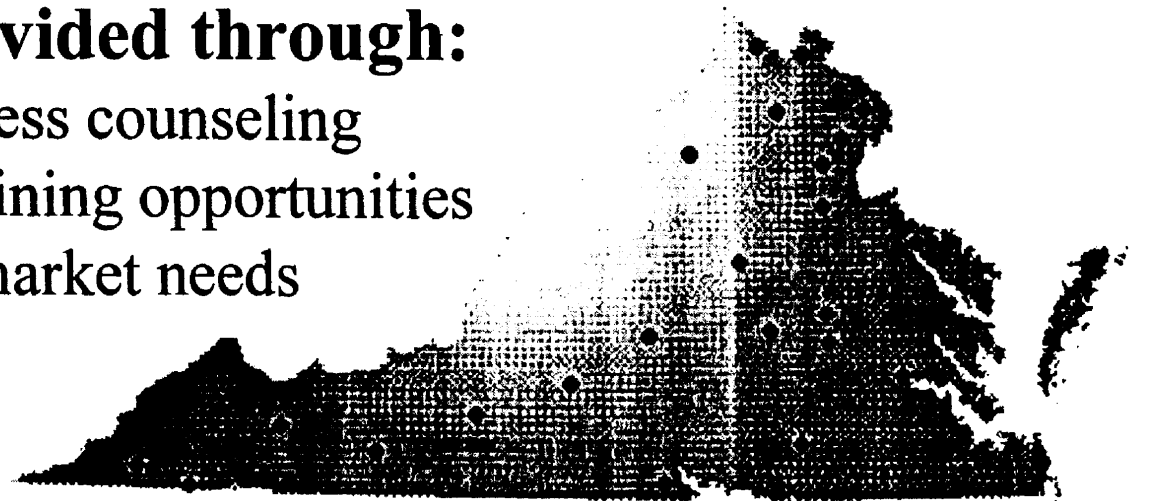
MISSION

“To strengthen Virginia’s economy by serving as state government’s principal point of communication with Virginia businesses in order to provide access to resources that maximize the potential for their success.”

A-2

This assistance is provided through:

- Direct one-on-one business counseling
- Customized business training opportunities
- Special efforts to meet market needs



Virginia Small Business Incubator Program

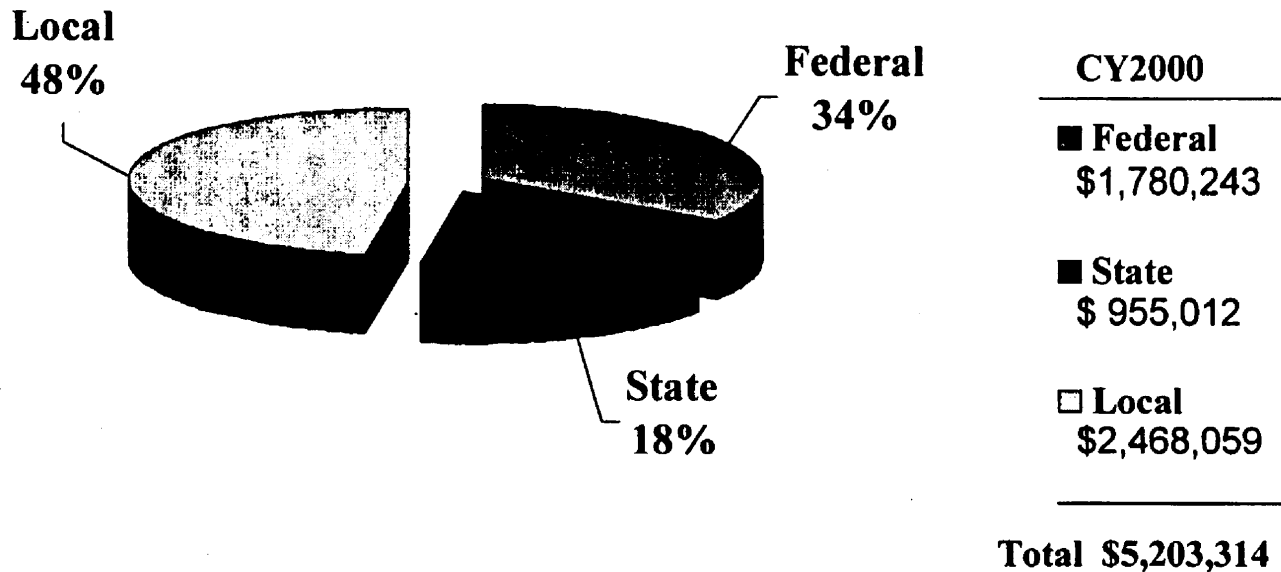
- Statewide initiative began with a study conducted 1997
- General Assembly funded program beginning 7/98
- Three rounds of funding have been announced
 - December 98 = \$480,275 10 projects
 - October 99 = \$448,616 11 Projects
 - June 00 = \$712,978 8 projects
- Funds available for:
 - Feasibility studies = 14
 - Existing program support = 12
 - Construction or renovation = 3

} Total 29
- Next round – August 23

Partnership Program

The Virginia SBDC is funded by the U.S. Small Business Administration, the Virginia Department of Business Assistance, and various local sponsors, including colleges and universities, community colleges, and chambers of commerce.

A-4



Calendar Year 1999 Business Counseling

- 4,090 clients counseled
- 53% existing, 47% pre-ventures
- Over 31,000 hours invested in counseling by SBDC staff
- Most popular areas of counseling include:
Business Planning, Sources of Capital,
Marketing and Sales, and Financial Analysis
and Cost Control.

Calendar Year 1999

Business Training

- Over 580 training events held, with over 6,300 attendees
- Training events included programs such as:
 - NxLevel for Entrepreneurs
 - Micro-Business Development
 - Tax Tips & Schedule C Preparation
 - Y2K Issues for Small Businesses
 - Marketing on the Internet
 - How to Start a Business

NxLevel Program

- Conducted pilots at Hampton Roads, Fluvanna Correctional, Harrisonburg
- Very positive feedback
- Partnership with private sector:
 - Wachovia and
 - Bell Atlantic
- Plans for FY2001 include state wide rollout, expanded funding support, governmental agency buy-in, establishment of the program as Virginia's Entrepreneurial training program

Other Special Programs

- Franklin – Hurricane Floyd Response
- Y2K Alert
- Women’s Business Enterprise Program
- Micro-Business Training
- SBA Pre-Qual Loan Program
- Pollution Prevention Program
- Small Business Innovative Research (SBIR)
- Small Business Needs Assessment

National Certification

- The VSBDC was fully certified in October 1999 and will be up again in 2003.
- Benefit of the program is to insure effectiveness and ability to manage the program.
- Due to Virginia's performance, I was selected to be on the national certification team.

Thank You for Your Support

- Here is what we are doing with the dollars:
 - Opening new centers in Danville and Alleghany Highlands
 - Funding the SBA's One-Stop-Capital-Shop
 - Continuing support for City of Franklin downtown
 - Funded a part time position to process SBA Pre-Qual loan packages in SW Virginia
 - Provided professional development funding for all centers across the Commonwealth



Virginia Commonwealth University



Survey of Small Business Needs for Training, Development, and Other Assistance

Summary of Findings

Summary of Data Collection Methods

- **Mail survey**
- **List from the Virginia Employment Commission**
- **Virginia businesses with <100 employees (a total of 172,151)**
- **Selected only those businesses with headquarters in Virginia (a total of 130,665)**
- **Random sample of 3027 were mailed pre-notification postcard and survey packet (cover letter and questionnaire)**
- **3% (91) returned as undeliverable or 2% (60) returned as unqualified**
- **12.5% response rate**

Title of Respondent	PERCENTAGE
President/Owner	65.3
Office Manager	8.6
Partner	6.4
Business Manager	5.8
Financial Manager	3.1
H.R. Manager	1.9
Other Manager	1.9
Office Assistant	1.7
Other	2.8

Type of Business	PERCENTAGE
Retailing	16.7
Manufacturing	12.5
Business Services	16.4
Construction	8.1
Wholesaling	3.3
Consumer Services	23.6
High-Tech/Info Tech	2.5
Agriculture	6.9
Banking/Finance	5.3
Government	.8
Other	1.1

Preferred Method of Receiving Information

	PERCENTAGE
Telephone	6.1
Fax	13.1
Mail	63.8
E-mail	13.4
Multiple Ways	3.6

Typical Way of Learning about Training and Development Opportunities

	PERCENTAGE
Newspaper	5.0
Word-of-mouth	6.7
Brochures	23.9
Radio/TV	1.1
Trade shows/seminars	7.2
Other	5.3
Multiple ways	50.3

Level of Interest in Different Training or Counseling Programs

SCALE:

0 = *Not at all Interested*
5 = *Moderately Interested*
10 = *Extremely Interested*

Marketing Topics	Mean Scores
Write marketing plan	3.77
Marketing research	4.29
Understand customer behavior	4.92
Business to business tactics	4.47
Packaging/branding issues	2.19
Product management	3.00
Customer service/relations	5.50

Marketing Topics	Mean Scores
Physical distribution/logistics	2.63
Retail management	2.58
Integrated promotion plan	4.37
E-commerce	5.04
Pricing strategies/tactics	4.82
Marketing via trade shows	3.36
Other	1.97

Financial Topics	Mean Scores
Accounting/ bookkeeping	4.68
Collections	4.15
Obtain loans/lines of credit	3.98
Raise capital	4.58
Financial planning/budgeting	5.47
State/federal/local taxation	4.99
Employee benefit management	5.21
Other	2.49

Management Topics	Mean Scores
Diverse workforce	3.47
Business/technical report writing	2.67
Recruiting employees	5.12
Family-owned business mgmt	4.83
Statistical analysis	3.38
Purchasing/materials management	3.21
Effective negotiation	4.65
Time management	4.96

Management Topics	Mean Scores
Health/safety regulatory environment	4.53
Legal/ethical issues	5.24
Compensation issues	4.97
Other	0.81

**Received Previous Training,
Counseling, or Other Assistance
from VSBDC?**

Yes	6.1%
No	86.4%
Unsure	4.4%

**Business Issues Ranked as
“Most Important” by Respondents**

	COUNT
Personnel	82
Sales/Marketing	82
Financing	59
Government Regulation	37
Technology	33
Taxes/Fees	28
Insurance	21
Internal Control	20

Reported Frequency of Internet Use in Business

	PERCENTAGE
Continuously	21.4
1 or more times/day	17.2
1 or more times/week	22.5
1 or more times/month	8.3
Less than once a month	24.2
Never/not connected	3.1

Currently Doing Business Outside the U.S.?

Yes	11.7%
No	86.4%

Interest in Doing Business Outside the U.S.

Not at all interested	75.2%
Somewhat interested	16.8%
Very interested	8.0%

Degree of Expansion Expected in Next 12 Months - Personnel

None	38.4
Up to 10%	28.6
11 to 25%	17.3
26 to 50%	6.6
More than 50%	4.6
Don't Know/Not Applicable	4.3

Degree of Expansion Expected in Next 12 Months - Physical Space

None	64.4
Up to 10%	10.0
11 to 25%	7.2
26 to 50%	6.1
More than 50%	4.4
Don't Know/Not Applicable	3.9

Degree of Expansion Expected in Next 12 Months - Equipment

None	25.8
Up to 10%	38.7
11 to 25%	19.5
26 to 50%	8.6
More than 50%	3.4
Don't Know/Not Applicable	4.0

**Degree of Expansion Expected in
Next 12 Months - Unit Sales**

None	17.9
Up to 10%	25.0
11 to 25%	27.1
26 to 50%	11.2
More than 50%	5.6
Don't Know/Not Applicable	13.2

**Degree of Expansion Expected in
Next 12 Months - Dollar Sales**

None	12.1
Up to 10%	28.9
11 to 25%	30.3
26 to 50%	15.0
More than 50%	8.4
Don't Know/Not Applicable	5.2

Degree of Expansion Expected in Next 12 Months - Market Share

None	25.1
Up to 10%	29.9
11 to 25%	14.5
26 to 50%	2.7
More than 50%	3.3
Don't Know/Not Applicable	24.6

Anticipated Relocation of Current Facility

No	77.7
Yes, within 6 months	5.1
Yes, within 6-12 months	4.5
Yes, more than 12 months	7.9
Don't Know/Not Applicable	4.8

Number of Employees

0	1.7
1 to 5	44.5
6 to 10	20.5
11 to 20	9.2
21 to 30	7.2
31 to 40	2.6
41 to 50	3.2

Number of Employees (continued)

51 to 60	2.0
61 to 70	2.0
71 to 80	1.2
81 to 90	1.4
91 to 100	.3
More than 100	4.0

APPENDIX: C
State Paperwork Reduction Legislation

1. Text of the Tennessee Paperwork Reduction and Simplification Act of 1976

4-25-102. Legislative intent.

The legislative intent of this chapter is declared to be as follows: Information reporting requirements of the state government have proliferated to the point that they have placed an unprecedented paperwork burden upon citizens and businesses. It is hereby declared to be the policy of the state to reduce, simplify and minimize these requirements and the forms they necessitate to the fullest extent consistent with the necessity of gathering data sufficient to assure the efficient and effective operation of the necessary programs of state government. It is essential that there be a comprehensive and ongoing examination of the policies and procedures of the state government which have produced this paperwork burden in order to assure that this policy is fully implemented on a continuing basis.

4-25-103. Definitions.

As used in this chapter, unless the context clearly requires otherwise:

- (1) "Agency" means any administrative unit within state government which utilizes one (1) or more printed forms for information reporting by citizens or businesses;
- (2) "Department" means the department of general services;
- (3) "Director" means the commissioner of the department;
- (4) "Form" means a printed or otherwise mass-duplicated document of standard format distributed by an agency for the purpose of gathering information from citizens or businesses; and
- (5) "Program" means the forms reduction and management program.

4-25-104. Forms reduction and management program.

The director shall establish and implement a forms reduction and management program in the department which shall apply to every agency of state government. In so doing, the director is authorized and directed to:

- (1) Make an inventory of all forms used by every agency, together with a brief statement of the authorization, need and use for each;
 - (2) Assign a number to each form determined to be properly authorized, needed and used;
 - (3) Direct the destruction and prohibit the further use of each form determined not to be properly authorized, needed and used;
 - (4) Establish basic state design and specification criteria to effect the standardization of all forms to which numbers are assigned to be made effective with respect to each form upon the exhausting by the agency concerned of its current inventory of that form;
 - (5) Design and require the use of composite forms by agencies seeking and needing the same or similar information from individuals or businesses;
 - (6) Deny the use by any agency of a form to obtain information from individuals or businesses which can be obtained from another agency already gathering that information;
 - (7) Provide assistance to all agencies in determination of the need for and design of new forms;
 - (8) Develop procedures for the most efficient, economical and timely procurement, receipt, storage and distribution of forms by all agencies;
 - (9) Coordinate the program with the existing state archives and records management programs;
- and
- (10) Develop and promulgate rules, regulations and standards necessary to implement the foregoing authority and the legislative intent of this chapter, in accordance with the provisions of the Uniform Administrative Procedures Act, compiled in chapter 5 of this title.

4-25-105. Forms require director's approval - Elimination or redesign of forms - Agency compliance.

(a) No agency shall issue, cause to be printed or otherwise duplicated or distributed any form which does not have the prior approval of the director and to which the director has assigned a number.

(b) Each agency shall comply immediately and fully with directives of the director for the elimination or redesign of any form in use on July 1, 1976, and shall provide the director with whatever personal or staff assistance is required to carry out those directives.

(c) Compliance with the provisions of this chapter and rules, regulations and standards promulgated by the director pursuant to the director's authority is mandatory upon the chief executive officer of each agency, although such chief executive officer may delegate the authority to act in such chief executive officer's behalf in so doing to a subordinate official within the agency.

4-25-107. Reports.

(a) The director shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives and the chairs of the senate and house state and local government committees at least once each year, such report to be made no later than December 1.

(b) The director shall include in the report:

(1) Proposals for legislative action needed to improve forms reduction and management;

(2) A summary of accomplishments and planned initiatives to reduce the number of forms used by agencies;

(3) A statement of targeted areas of reduction of paperwork within agencies of state government;

(4) A tabulation of areas of duplication in agency forms identified during the preceding year and efforts made to preclude the collection of duplicate information; and

(5) A summary of procedures developed to improve efficient procurement, receipt, storage and distribution of forms by all agencies.

4-25-108. Liberal construction.

This chapter shall be liberally construed to carry out its purposes and objectives of reducing the paperwork burden of state government and to achieve the statement of legislative intent contained herein.

2. Text of the Florida Paperwork Reduction Law

23.20 Legislative intent with respect to paperwork reduction.

The Legislature finds that:

(1) The paperwork burden associated with collecting information from individuals, private-sector organizations, and local governments may have a significant economic impact on these entities as they attempt to comply with the state's information reporting requirements.

(2) These information-reporting requirements are found in most interactions between state government and these entities, such as application and permitting processes, title registration, various licensure processes, environmental monitoring, growth management, and tax collection.

(3) The failure of state agencies to identify information they are collecting and to share that information with other agencies, as well as with local governments, has increased the paperwork burden on other entities.

(4) The state must minimize the paperwork burden by evaluating its need for information, determining whether it already has access to the necessary information, and coordinating data collection initiatives at their source.

(5) The collection of information by state government must be done in a manner that balances the efficiency and cost-effectiveness of government with the cost and convenience to individuals, private-sector organizations, and local governments providing the information.

23.21 Definitions.

For purposes of this part:

(1) "Department" means a principal administrative unit within the executive branch of state government, as defined in chapter 20, and includes the State Board of Administration, the Executive Office of the Governor, the Fish and Wildlife Conservation Commission, the Parole Commission, the Agency for Health Care Administration, the Board of Regents, the State Board of Community Colleges, the Justice Administrative Commission, the Capital Collateral Representative, and separate budget entities placed for administrative purposes within a department.

(2) "Paperwork burden" means the resources expended by the entity providing information. Resources may include the time, effort, or financial expenditure associated with reviewing the instructions; acquiring, installing, and using technology to obtain, compile, or report the information; searching data sources; completing and reviewing the collected information; or transmitting the required information to the requesting department.

(3) "Collect information" means the obtaining, causing to be obtained, soliciting, or requiring the disclosure to third parties of facts or opinions by or for a department, regardless of form or format, calling for answers to identical questions posed to, or identical reporting or recordkeeping requirements imposed on, 10 or more persons, other than departments or employees of this state.

23.22 Paperwork reduction; activities of departments.--

(1) In order to reduce the amount of paperwork associated with the collection of information from individuals, private-sector organizations, and local governments and to provide more efficient and effective assistance to such individuals and organizations in completing necessary paperwork required by the government, each department head shall, to the extent feasible:

(a) Integrate information systems between programs and departments to reduce the paperwork burden on such individuals, private-sector organizations, and local governments.

(b) Implement a department-wide paperwork review process designed to achieve the following outcomes:

1. Streamline information-collection processes that balance the cost and efficiency desired by the department with the cost and convenience to the reporting entities.

2. Ensure the reporting entities' participation in the identification of data elements, the estimation of the paperwork burden on them, and the design of information-collection instruments and processes.

3. Collect information necessary for the performance of agency functions without duplicating other information accessible to the agency.

(c) Coordinate information gathering through such techniques as one-stop permitting, licensing, and public services.

(d) Design information collection forms and similar instruments to make them easy to understand and "user-friendly" to the individuals, private-sector organizations, and local governments that are required to complete and return them. Departmental telephone numbers or electronic mail addresses for the public to obtain assistance in completing the forms must be provided on each form.

(e) Evaluate existing and prospective statutes and rules for the paperwork burden they generate and seek modification of the statutes and rules to reduce the paperwork burden being placed on individuals, private-sector organizations, and local government.

(f) Collaborate with the Division of Library and Information Services, pursuant to s. 119.09, to identify and index records retention requirements placed on private-sector organizations and local governments in Florida, clarify and reduce the requirements, and educate the affected entities through various communications media, including voice, data, video, radio, and image.

(2) Departments shall consider applying to the Innovation Investment Program, pursuant to s. 216.235, for financial assistance required in streamlining and integrating information systems to reduce paperwork requirements.

(3) Departments shall make available, upon request, a list of the initiatives taken to reduce paperwork associated with collecting information from individuals, private-sector organizations, and local governments.

Virginia Enterprise Initiative Projects

1. Business Development Centre, Inc.
2. BusinessStart
3. Crater Development Company
4. Dan River Business Development Center
5. Ethiopian Community Development Corporation
6. City of Franklin
7. Middle Peninsula Microenterprise Program
8. Minority Economic Development Through Assisted Lending (MEDAL)
9. New Enterprise Fund
10. Northern Neck Microenterprise Program
11. Portsmouth Community Development Group
12. Richmond Economic Development Corporation
13. South Fairfax Business Resource Center
14. Total Action Against Poverty (TAAP)
15. Virginia Community Development Loan Fund
16. Virginia Microenterprise Alliance



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

A. VICTOR THOMAS
1301 ORANGE AVENUE, N.E.
ROANOKE, VIRGINIA 24012
SEVENTEENTH DISTRICT

COMMITTEE ASSIGNMENTS:
CONSERVATION AND NATURAL RESOURCES (CO-CHAIR)
PRIVILEGES AND ELECTIONS
APPROPRIATIONS
RULES

October 30, 2000

Patrick W. Finnerty, Executive Director
Joint Commission on Health Care
Old City Hall, Suite 115
1001 East Broad Street
Richmond, Virginia 23219

Re: Small Business Commission

Dear Mr. Finnerty:

The Small Business Commission was established in 1995 to promote the interests of Virginia's small businesses. Pursuant to Virginia Code § 9-336 et seq., the Commission is required to, among other things, provide small business owners with a forum to address their concerns.

The Commission met on October 17, 2000, at which time Sandy Bowen of the Virginia Chamber of Commerce identified the costs and availability of health insurance as a major concern of small businesses throughout the Commonwealth. While the current economic boom has produced historically low unemployment rates, one result is that competition for qualified workers has required small employers to offer health insurance in order to remain attractive to prospective employees. The capacity of business owners to absorb increasing health insurance premiums as the economy starts to cool off is limited.

Issues identified by members of the Small Business Commission include pooling of the purchasing power of small employers in order to negotiate better health insurance contract rates and terms. It was mentioned that some of the approaches tried in recent years, such as offering the essential and standard plan, have not worked as well as was anticipated. We also briefly discussed the proposed pilot program focusing on small businesses using the Indigent Health Care Trust Fund that DMAS administers.

The Small Business Commission agreed to advise the staff of the Joint Commission on Health Care that we support your Commission's efforts to address issues involving the availability and affordability of health insurance in the small business market. The Small Business Commission does not wish to encroach upon the jurisdiction of the Joint Commission regarding these issues. By making you aware of our interest in this vitally important topic, I hope that the two entities can share information and coordinate their efforts to develop appropriate solutions.

Patrick W. Finnerty, Executive Director
October 30, 2000
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The Small Business Commission would very much like to receive a presentation from your office at a convenient time regarding past and pending attempts to deal with health care cost issues. Our staff will let you know when we have scheduled an appropriate meeting. In the meantime, if the Commission can be of any assistance in your efforts, please let us know.

Very truly yours,

A. Victor Thomas
Chairman, Virginia Small Business Commission

cc: Members of Virginia Small Business Commission
C. Maureen Stinger, Division of Legislative Services