



COMMONWEALTH of VIRGINIA

Office of the Governor

James S. Cheng
Secretary of Commerce and Trade

October 15, 2013

The Honorable Walter A. Stosch
Chairman
Senate Finance Committee
Senate of Virginia
910 Capitol Square, Room 626
Richmond, Virginia 23219

The Honorable Lacey E. Putney
Chairman
House Appropriations Committee
House of Delegates
910 Capitol Square, Room 947
Richmond, Virginia 23219

Dear Messrs. Chairmen:

I am writing to report on the consolidation of the Department of Business Assistance and the Department of Minority Enterprise as required by Section 104 Item D of Chapter 806 of the Acts of the Virginia General Assembly. Attached you will find an update on the progress and remaining work for the consolidation of the two agencies into the Department of Small Business and Supplier Diversity effective January 1, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "James S. Cheng", written over a horizontal line.

James S. Cheng

Report of the Secretary of Commerce and Trade to the Chairmen of the House Appropriations and Senate Finance Committees on the Update of the Creation of the Department of Small Business and Supplier Diversity (Consolidation of DBA and DMBE)

October 15, 2013

INTRODUCTION

As a continuation of Governor Bob McDonnell’s Government Reform and Restructuring initiative started in 2010, the 2013 Session of the General Assembly enacted Chapter 482 of the 2013 Virginia Acts of Assembly creating the Department of Small Business and Supplier Diversity (DSBSD), effective January 1, 2014, by consolidating the powers and duties of the Department of Business Assistance (DBA) and the Department of Minority Business Enterprise (DMBE). Additionally, Item 104.D of Chapter 806 of the 2013 Virginia Acts of Assembly (Appropriation Act) directs the Secretary of Commerce and Trade to report to the Chairmen of the House Appropriations and Senate Finance Committees on the progress of the consolidation. The language specifies “the consolidation be effectuated in a manner that ensures that the core responsibilities of each agency are retained and full and adequate attention is given to the activities currently undertaken” by both agencies. The Secretary must report to the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2013.

This report serves as an update of the plan for consolidating DMBE and DBA.

BACKGROUND

The following charts summarize the FY 2014 legislative appropriation for DBA and DMBE in Chapter 806, 2013 Acts of Assembly as the basis for the development of the budget for the Department of Small Business and Supplier Diversity (DSBSD). As the consolidation is effective January 1, 2014, in the middle of FY 2014, it is anticipated any unexpended appropriation remaining in the budgets of DBA and DMBE will be transferred to the newly-established DSBSD. The Governor's 2014-2016 introduced budget will reflect the elimination of DBA and DBME, and include the proposed budget for DSBSD for the 2014-2016 biennium.

While cost savings were not an explicit goal of the language in the Appropriation Act, through the review of agency activities and personnel opportunities for savings was presented. For example, the consolidation will eliminate one agency executive director position and some administrative staff positions could be combined. Part-time and temporary staff could potentially be eliminated, and field staff from both agencies can be cross-trained and offices combined. Finally, state assigned automobiles for both agencies (already at a saturation point) can be reduced to effect savings.

The first two tables below reflect the FY 2014 legislative appropriations and authorized position levels for DBA and DMBE. The third table reflects the proposed base budget for DSBSD for FY 2015 and FY 2016 and assumes the transfer of all funding currently within DBA and DMBE. It does not reflect any adjustments to capture savings that may result from the elimination of duplicate positions or the reduction of each agency's vehicle fleet, technical adjustments to better realign positions and nongeneral funds between fund sources, or costs that may be incurred as a result of the Workforce Transaction Act, physically moving staff, the "build-out" of new office space, or changes to information technology needs.

Exhibit 1: Legislative Appropriation

Department of Minority Business Enterprise (232)	
Fund	2014
General	\$550,160
Commonwealth Transportation	\$1,522,662
Agency Total	\$2,072,822

Department of Business Assistance (325)	
Fund	2014
General	\$11,481,540
Special	\$883,192
Dedicated Special Revenue	\$775,938
Agency Total	\$13,140,670

Department of Small Business and Supplier Diversity (350)	
Fund	2014
General	\$12,031,700
Commonwealth Transportation	\$1,522,662
Special	\$883,192
Dedicated Special Revenue	\$775,938
Agency Total	\$15,213,492

DESCRIPTION OF MAJOR PROGRAMS

The Virginia Jobs Investment Program (VJIP): The program encourages the expansion of existing Virginia businesses and the start-up of new business operations in Virginia by addressing the top concern of existing businesses and economic development prospects – finding and developing a skilled workforce. VJIP helps offset recruiting and training costs incurred by companies that are either creating new jobs or implementing technological upgrades. In addition to offering direct funding, VJIP also provides assistance with workforce-related challenges and organizational development workshops.

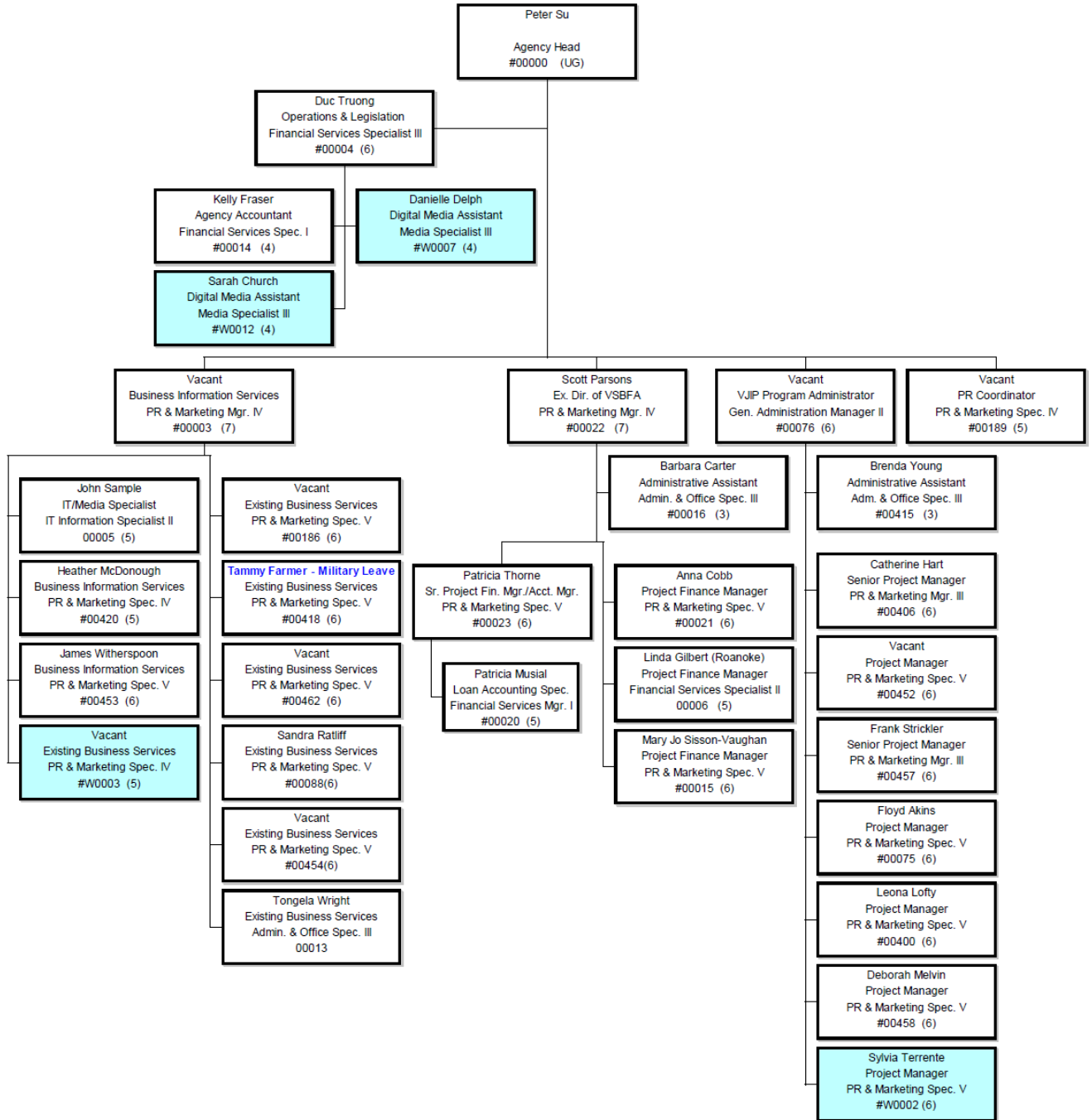
The Virginia Small Business Finance Authority (VSBFA): The program helps Virginia's existing businesses and businesses seeking to come to Virginia through the extensive portfolio of financing programs. Although no grants are offered, the program adds value by helping Virginia's financial institutions offer business loans might not be able to offer without VSBFA's assistance.

Business Information Services (BIS) Division: BIS houses a number of programs designed to assist entrepreneurs and existing business owners in obtaining the information they need to establish and grow their businesses. For those considering starting a business, the Business One Stop (BOS) online system, Entrepreneur Express seminars, and "Starting a Business" business plan software can help. For owners of existing Virginia businesses, the Growing Sales seminars and One-On-One technical assistance sessions offer businesses the tools needed to grow.

Disadvantaged Business Enterprise (DBE): This is a Federal certification program to increase the participation of certified DBEs in projects funded by the U.S. Department of Transportation and other federal sectors. Projects typically include heavy construction, such as building and designing roads, bridges, railroads, ports, and airports.

Small, Women-owned, and Minority-owned Business (SWaM): A certification program of the Commonwealth of Virginia to enhance procurement opportunities for SWaM businesses participating in state-funded projects.

DBA: CURRENT ORGANIZATIONAL CHART

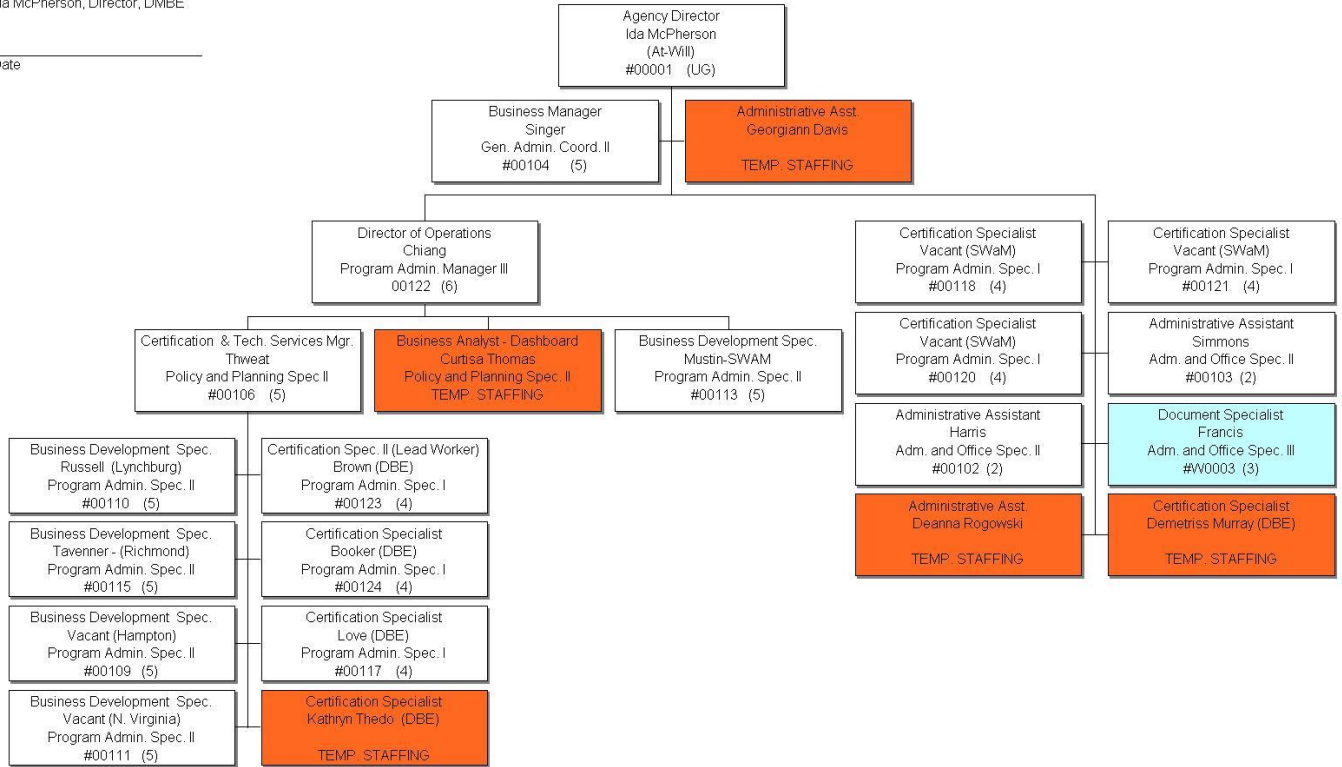


DMBE: CURRENT ORGANIZATIONAL CHART

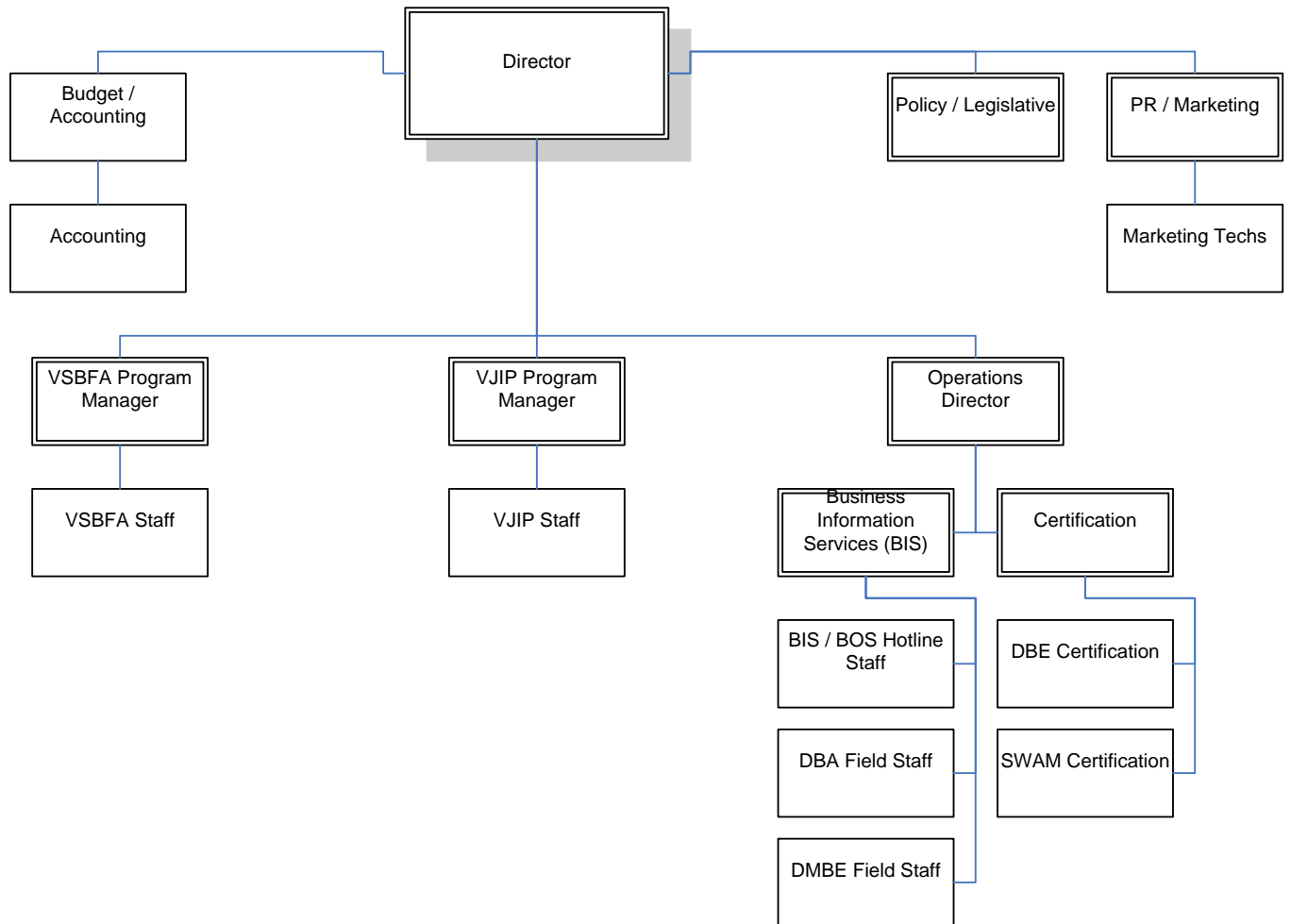
DMBE - August 2013

Ida McPherson, Director, DMBE

Date



DSBSD: DRAFT ORGANIZATIONAL CHART



PROPOSED TIMELINE: DBA – DMBE MERGER TO DSBSD

Date	Action/Event
Reports and other milestones	
October 2013	
	Report on status of merger due to the General Assembly - October 15
	Organizational Structure to be Approved
	Meeting of staff from both agencies with Executive leadership, DHRM and DPB
December 2013	
	Governor McDonnell submits proposed budget to General Assembly, including 2014-2016 budget for Department of Small Business and Supplier Diversity – December 16
January 2014	
	Effective Date of Department of Small Business and Supplier Diversity – January 1
	New agency director appointed
Office Move/Space Planning	
October 2013	DGS begins analysis of office space options based on approval new organizational chart
November 2013	DGS begins renovation/space planning
	DGS recommendation of office space location, rent and moving costs
	DBA and DMBE staff work with DGS on moving plan
Early 2014	Agency staff co-locate
Technology Move/Planning	
November 2013	VITA estimates moving costs
	DBA and DMBE staff work with VITA on website and telephone transition plan
January 1, 2014	New agency web site live
HR/Payroll Planning	
Late- December 2013	DHRM moves positions to the new agency in PMIS
Late- December 2013	DOA moves payroll to the new agency
DBA – DMBE Collaboration	
November 2013	DBA and DMBE staff work together to plan joint agency activities in 2014