



Ralph S. Northam
Governor

COMMONWEALTH of VIRGINIA

R. Brian Ball
Secretary of Commerce & Trade

Department of Small Business and Supplier Diversity

Jennifer L. Mayton
Acting Director

To: The Honorable R. Brian Ball
Secretary of Commerce and Trade

House of Appropriations & Senate Finance Committees

From: Jennifer L. Mayton, Acting Director *J.L.M.*
Virginia Department of Small Business and Supplier Diversity

Date: January 29, 2021

CC: Turner Widgen, Assistant Secretary of Commerce and Trade
Laura L. Wilborn, Division of Legislative Automated Systems

Subject: Department of Small Business and Supplier Diversity Work Plan: Fourth Quarter

We appreciate the opportunity to share with you the work that has been accomplished in the fourth quarter of the year in relation to our 2020 Agency Work Plan. We are very pleased with the results and look forward to continuing to share our work with you in 2021.

During this quarter, the agency continued its work in partnership with Virginia Community Capital (VCC) to deploy \$100 million of CARES Act funding, an increase of \$30 million, secured to support struggling Virginia small businesses. The agency and VCC awarded grants to 2,500 Virginia businesses and nonprofits whose normal operations were disrupted by the COVID-19 pandemic. Approximately \$50 million was awarded to women, minority, and veteran-owned businesses. More than 45 percent of the funding was awarded to 997 small businesses and nonprofits located in low-income and economically disadvantaged communities, and businesses with less than \$2 million in annual revenue received 91 percent of the program's funding.

As of December 2020, Rebuild VA received 15,700 applications and the average grant award was \$35,636. The agency continues to work to provide support to applicants and will continue to do so until all program funds are deployed, as an additional \$20 million has been allocated to the program. The Rebuild VA program has truly been instrumental in helping our Virginia small businesses during this unprecedented time.

Not only has the agency been focused on supporting businesses through grant relief efforts but also traditional lending and bond issuance opportunities offered by the Virginia Small Business Financing Authority (VSBFA). This quarter the VSBFA was notified that the bond issue supported by the Authority for Bon Secours Mercy Health was awarded the Healthcare Financing Deal of the Year for 2020. The deal helped pave the way for the reopening of the capital markets for not-for-profit health systems amid the pandemic. In calendar year 2020, VSBFA facilitated over \$1 billion in bond issuances spurring economic growth and development throughout the Commonwealth.

The agency is in the final phases of the Disparity Study process and has received the final report from BBC Research and Consulting. During this reporting period the agency has partnered with the Department of General Services, the Virginia Information Technologies Agency, the Virginia Department of Transportation and James Madison University to provide input to the Secretaries of Commerce and Trade and Administration to support recommendations identified in the study that reduce barriers for women and minority owned businesses in the contracting process.

Lastly, the agency received our annual assessment from Interise, our national partner, in delivering the Scaling4Growth program. Scaling4Growth is a program SBSD launched in 2014 that takes qualified businesses through an intensive seven-month program to scale their business by developing and implementing an actionable growth plan. Each cohort consists of 16 businesses carefully selected to grow their business through this dynamic offering. Interise follows graduates for 3 years post-graduation, their assessment found that our five cohorts of graduates had created 364 jobs, retained 1,022 jobs, seen 25% average business growth, and accessed \$6.7 million in new financing. These statistics are a phenomenal testament to the program and its value to the businesses that participate.

We look forward to updating you at the end of April on our progress and performance in the first quarter of the year. We plan to focus on different divisions within the agency each reporting period to give you a holistic perspective on the work we are doing.

Thank you and please let us know if you have any questions on items not addressed in this report.

**Department of Small Business and Supplier Diversity
Agency Work Plan
January 1-December 31, 2020**

Overview

Mission: Economic Growth and Development of Virginia's Small Businesses

The mission of the Virginia Department of Small Business and Supplier Diversity (SBSD) is to serve Virginia's small businesses, by enhancing growth opportunities through increased revenue and job creation that raises the standard of living of all Virginians.

Agency Vision:

The Virginia Department of Small Business and Supplier Diversity (SBSD), formerly the Department of Business Assistance, was formed to meet the needs of existing and new small businesses. Over the life of the agency, the mission has expanded so that small, woman, and minority-owned businesses are included in this vision. Then and now, the department separates these important functions from the political process and ensure that all Virginia small businesses receive assistance to grow and prosper in the Commonwealth through education, counseling, certification, and access to financing.

Agency Goals:

Statewide Goals Advanced by SBSD's Strategic Goals, Objectives and Strategies

- Be a national leader in the preservation and enhancement of our economy.
- Engage and inform citizens to ensure we serve their interests.
- Be recognized as the best-managed state in the nation.
- Ensure that Virginia has a transportation system that is safe, enables easy movement of people and goods, enhances the economy and improves our quality of life.

The goals listed above are statewide goals with many contributors in which SBSD plays a role. The agency is committed to customer service, advocacy for small businesses, and support of other Virginia state agencies. SBSD specific goals do not stand alone, but support the broader goals of the entire Commonwealth.

Agency Goal I: Spur economic vitality through strategic investment of resources.

For the Department this means implementing strategies that assist small businesses to be more competitive in a rapidly changing global economy.

Agency Goal II: Enhance the positive business climate in Virginia for small businesses as they move through the business life cycle: formation, stabilization, and growth.

For the Department this means providing services designed to assist with the development and growth of small businesses, as they are the economic engine of the Commonwealth.

Agency's Objectives and Strategies for 2020

Agency Goal #1:

Spur economic vitality through strategic investment of resources.

Objective

Utilize agency resources to maximize the creation and retention of jobs within the Commonwealth as well as growth for wealth maximization of our current small business population.

Overall success toward meeting this objective will be assessed through the following measures:

- Number of jobs created and retained by businesses receiving loans from the VSBFA (Work Plan Measure)
- Number of presentations to financial institutions and economic development partners (Strategic Plan Measure)
- Total number of jobs created and retained by small business borrowers as a result of VSBFA programs (Work Plan Measure)
- Total numbers of jobs created and retained in rural areas for all borrowers (Work Plan Measure)
- Total private investment enabled for borrowers under all VSBFA programs (Work Plan Measure)
- Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities (Strategic Plan Measure)
- Average number of days to process a Small, Women, and Minority (SWaM) certification application (Strategic Plan Measure)
- Support of service disabled veteran businesses through certification (Strategic Plan Measure)

Virginia Small Business Financing Authority (VSBFA)

Number of jobs created and retained by all businesses receiving loans from the VSBFA

- Staff will provide data quarterly on the amount of jobs created from loans made across all programs of the VSBFA. **(Baseline 400; Goal 400)**
Q1. 13,658
Q2. 5,055 (YTD 18,713)
Q3. 712 (YTD 19,425)
Q4. 216 (YTD 19,641)

Number of presentations to financial institutions and economic development partners

- Staff will provide data quarterly on the amount of marketing presentations and the economic development and banking partners associated. **(Baseline 150; Goal 300)**
Rebuild VA deployment in Q3 and Q4 impacted this metric
Q1. 80
Q2. 86 (YTD 166)

- Q3. 52 (YTD 218)**
- Q4. 41 (YTD 259)**

Total number of jobs created and retained by small business borrowers as a result of VSBFA programs

- Staff will provide data quarterly on the number of jobs created and retained by small businesses as a result of VSBFA programs **(Baseline 200; Goal 300)**
 - Q1. 174**
 - Q2. 61 (YTD 235)**
 - Q3. 6 (YTD 241)**
 - Q4. 56 (YTD 297)**

Total numbers of jobs created and retained in rural areas for all borrowers

- Staff will provide data on the numbers of jobs created and retained in rural areas for all borrowers. See appendix. **(Baseline 150; Goal 150)**
 - Q1. 168**
 - Q2. 54 (YTD 222)**
 - Q3. 676 (YTD 898)**
 - Q4. 46 (YTD 944)**

Total private investment enabled for borrowers under all VSBFA programs

- Staff will provide data on the total private investment (non-VSBFA) enabled for borrowers under all VSBFA programs. **(Baseline \$5,250,000; Goal \$7,500,000)**
 - Q1. \$126,981,514**
 - Q2. \$178,443,000 (YTD \$305,424,514)**
 - Q3. \$ 16,600,000 (YTD \$322,024,514)**
 - Q4. \$348,911,219 (YTD \$670,935,733)**

SWaM Certification Division (SWaM)

Make available a pool of Small, Women, and Minority (SWaM) and Disadvantaged Business Enterprise (DBE) certified vendors for local, state, and corporate/private entities

- Staff will provide data quarterly on the number of currently certified SWaM and DBE businesses. **(Baseline 14,000; Goal 15,000)**
 - Q1. SWaM = 12,272 DBE = 2,799 Total = 15,071**
 - Q2. SWaM = 12,254 DBE = 2,824 Total = 15,078**
 - Q3. SWaM = 12,238 DBE = 2,923 Total = 15,161**
 - Q4. SWaM = 12,588 DBE = 2,883 Total = 15,471**

Average number of days to process a Small, Women, and Minority (SWaM) certification application

- Staff will provide data quarterly on the average number of business days to process a certification application. **(Baseline 86; Goal 60)**
 - Q1. 56**
 - Q2. 54**
 - Q3. 53**
 - Q4. 51**

Support of service disabled veteran businesses through certification

- Staff will provide data quarterly on the number of service disabled veteran small businesses certified. **(Baseline 250; Goal 500)**
Q1. 431
Q2. 456
Q3. 495
Q4. 533

Agency Goal #2:

Enhance the positive business climate in Virginia for small businesses as they move through the business life cycle: formation, stabilization and growth.

Objective

To provide services designed to assist with the development and growth of small businesses in the Commonwealth.

Overall success toward meeting this objective will be assessed through the following measures:

- **Number of education and outreach activities conducted to assist Virginia small businesses with strategic growth and development (Strategic Plan Measure)**
- **Percentage of businesses that maintained or experienced growth in revenue as a result of participating in the New Virginia Scaling 4 Growth Development Program (Work Plan Measure)**
- **Number of businesses served through Business One Stop (Work Plan Measure)**
- **Number of partners worked with annually to support Virginia small businesses (Strategic Plan Measure)**
- **Number of VDOT projects supported through vendor development and technical assistance (Work Plan Measure)**

Business Development and Outreach Services (BDOS)

Number of education and outreach activities conducted to assist Virginia small businesses with strategic growth and development

- Staff will provide data quarterly on the number of outreach events and/or activities held or participated in annually. **(Baseline 1,000; Goal 1,700)**
Q1. 503
Q2. 597 (YTD 1,100)
Q3. 384 (YTD 1,484)
Q4. 430 (YTD 1,914)

Percentage of businesses that maintained or experienced growth in revenue as a result of participating in the New Virginia Scaling 4 Growth Development Program

- This data will be provided by Interise on an annual basis. **(Baseline 30%; Goal 30%)**
Q1. N/A annual metric
Q2. N/A annual metric

Q3. N/A annual metric

Q4. 57%

Number of businesses served through Business One Stop

- Staff will provide data quarterly on the number of small businesses served through Business One Stop. **(Baseline 2,300; Goal 2,600)**

Q1. 599

Q2. 714 (YTD 1,313)

Q3.1,064 (YTD 2,377)

Q4. 573 (YTD 2,950)

Number of partners worked with annually to support Virginia small businesses

- Staff will provide data quarterly on the number of partner organizations worked with to support Virginia Small Businesses. **(Baseline 100; Goal 160)**

Q1. 160

Q2. 119 (YTD 279)

Q3. 96 (YTD 375)

Q4. 33 (YTD 408)

DBE Technical Assistance and Outreach (DBE Outreach)

Development of ready, willing, and able businesses prepared to support VDOT projects.

- Staff will provide data quarterly on the number of VDOT projects supported through vendor development and technical assistance. **(Baseline 10; Goal 10)**

Q1. 3

Q2. 5 (YTD 8)

Q3. 5 (YTD 13)

Q4. 2 (YTD 15)

Audit Compliance and Corrective Action:

The Department of Small Business and Supplier Diversity has had eleven audits and performance reviews and VSBFA has had five since FY15. The agency just concluded a performance and operations review by the Joint Legislative Audit and Review Commission (JLARC). Their review commenced January of 2020 and concluded in September of 2020. SBSD participated in an Auditor of Public Accounts (APA) review of its Information Systems Security program. The APA report hasn't been finalized.

The agency audits/review recommendations are listed below:

| DSBSD | | | |
|-------------|--------|--|---|
| Fiscal Year | Agency | Description | Findings/Recommendations |
| FY20 | APA | Information Systems Security Audit | Final Report In Process |
| FY20 | JLARC | Performance and Operations Review | Post Certification Webinars to Agency Website Implement Appeal Process for New Applicants Update Denial Letters to Clarify Appeals Versus Waiver Creation of Marketing Plan for BDOS Posting of BDOS Events on Agency Website for On-Demand Viewing Develop a Report on Necessary Updates to BOS to be Submitted to the GA Develop Utilization Goals for each Loan Program Track and Report Progress on Utilization Goals Develop Loan Guidelines and Policies Around Risk Assessment Develop Risk Assessment Tool Annual Review of Risk of Loan Portfolio Ensure Banks are Notifying VSBFA of High Risk Loans Identify Timeframes for VSBFA Loan Application Processing Prepare a VSBFA Plan to Address Risk Assessment and Loan Utilization Recommendations Additional Support to Agencies on SWaM Goal Achievement |
| FY19 | APA | Internal Controls Review and Audit | No findings |
| FY18 | APA | Procurement Review and Audit | No findings |
| FY18 | JLARC | Incentive Review of SBJGF | No findings for the agency, recommendation to the GA to look at wage rate |
| FY18 | JLARC | Fiscal Impact Statement Review for SB318 | No findings, impact statement for DSBSD was deemed accurate |
| FY18 | VITA | Sensitive Systems Audit | Provide role based security training to appropriate personnel Develop a continuous monitoring program for vulnerabilities Develop IT Security Plans for each application Have users acknowledge policy adherence |
| VSBFA | | | |
| Fiscal Year | Agency | Description | Findings/Recommendations |
| FY18 | JLARC | Incentive Review of SBIG | Recommendation #7 - Obtain metrics from grant recipients and collect industry codes Recommendation #9 - VSBFA to review credit conditions, adjust programs as needed Recommendation #10 - VSBFA to establish a minimum job requirement for LGP, CC, and SWaM Microloan Recommendation #11 - VSBFA to monitor employment outcomes for LGP, CC, and SWaM Microloan |
| FY18 | APA | VSBFA Federal Grants Audit | Increase policy and procedure creation for Economic Development Federal Loan programs |

Agency corrective action plan and timeline listed below:

| DSBSD | | | |
|-------------|--------|--|---|
| Fiscal Year | Agency | Description | Corrective Action |
| FY20 | APA | Information Systems Security Audit | |
| FY20 | JLARC | Performance and Operations Review | Complete |
| | | | Complete |
| | | | Complete |
| | | | In Progress |
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| FY19 | APA | Internal Controls Review and Audit | None |
| FY18 | APA | Procurement Review and Audit | None |
| FY18 | JLARC | Incentive Review of SBJGF | None |
| FY18 | JLARC | Fiscal Impact Statement Review for SB318 | None |
| FY18 | VITA | Sensitive Systems Audit | Complete |
| | | | Complete |
| | | | Complete |
| | | | Complete |
| | | | Complete |
| | | | |
| | | | |
| VSBFA | | | |
| Fiscal Year | Agency | Description | Corrective Action |
| FY18 | JLARC | Incentive Review of SBIG | Complete |
| | | | Underway |
| | | | Unable to implement/communication sent to JLARC |
| | | | Complete |
| FY18 | APA | VSBFA Federal Grants Audit | Complete |

Discussion Points:

The agency is committed to supporting small businesses by providing access to capital, opportunity through state and federal certification, and growth through comprehensive development programs. Since the merger of the Department of Business Assistance (DBA) and the Department of Minority Business Enterprise (DMBE) to create the Department of Small Business and Supplier Diversity (DSBSD) in FY15 the agency has flourished. Under the direction of new leadership, the two agencies became one and shared goals and vision were established.

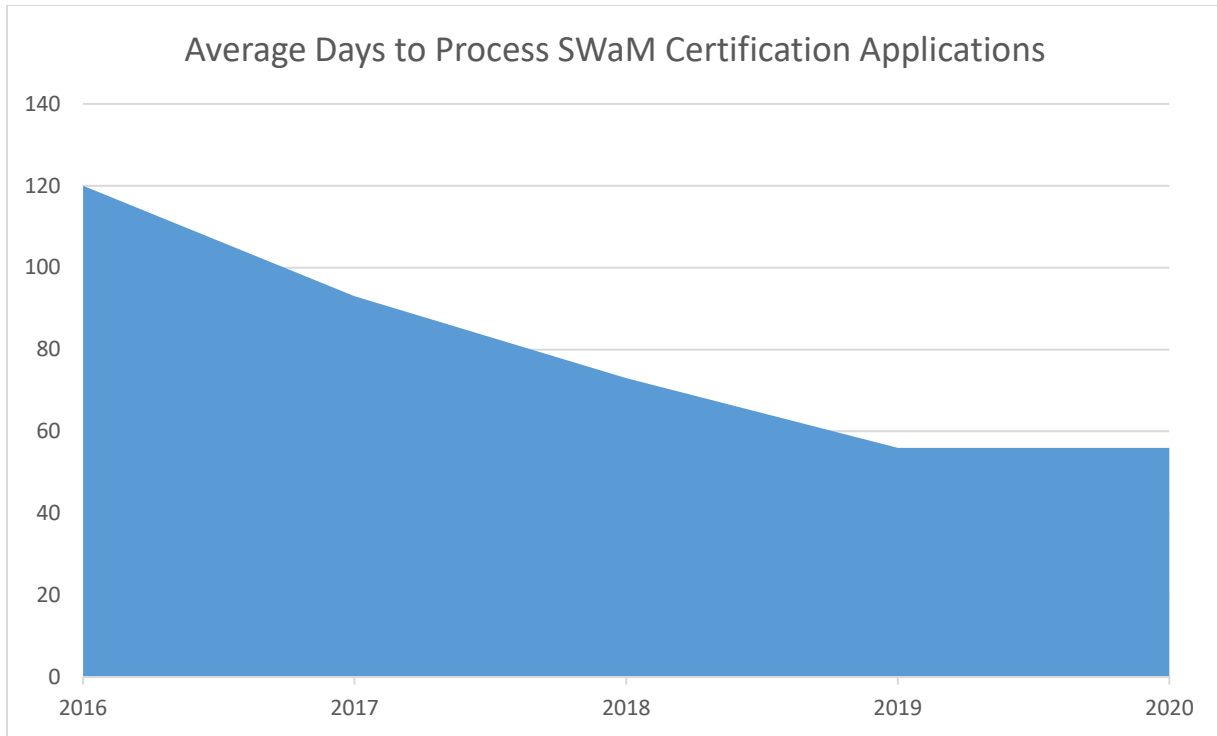
The first order of business, once the mission of the agency was solidified, was to develop the infrastructure necessary to allow the agency to be successful. This required the build out of office space so both agencies could work together as one cohesive unit. Next staffing needed to be addressed; attracting new talent, addressing performance issues, and developing high potential employees was a priority. Once infrastructure was in place then current programming and performance of that programming could be evaluated. Strategic planning and SWOT analysis was completed and new performance metrics were established. Through this planning

effort new programing opportunities were identified and the agency added the Virginia Scaling 4 Growth program and the Virginia Contractor's Course to our business development offerings.

By the end of FY20, we expect to have graduated ninety-five SWaM businesses from the Virginia Scaling 4 Growth program. Virginia is the first State to offer this nationally renowned program. The program is a six-month MBA style program designed to take businesses through leadership, finance, and business management modules with their final capstone project being the completion of a growth program that they can put into action upon graduation. Based on economic impact data we have captured from our graduates, 80 percent retained or created new jobs. Virginia's program results have been so impressive that Interise, the national licensing organization, has used Virginia's results as a model of success for other participants.

The agency has also made tremendous strides as it relates to streamlining the SWaM Certification process and in reducing time to process applications. In FY16, the agency was faced with a backlog of over 2,000 applications and the average processing time for SWaM certification was approximately 120 business days. The agency identified strategies to manage the application volume and instituted new technology to automate the process. As of FY18, the agency was able to clear the backlog and reduce processing times to less than 60 business days. The average number of days to process a certification application in the private sector is 90 business days; we are committed to providing a faster service to our small businesses and at no cost.

In FY20, the agency finalized streamlining efforts to reduce the burden of certification to the business owner. The agency finalized regulatory changes that reduced the amount of time a business must wait to reapply after being denied certification from 12 months to six months. The agency implemented changes that allowed more time for reapplication increasing the reapplication period from 90 days to 120 days. The agency implemented a streamlined recertification process that allows for an attestation of no change allowing the business to submit less documentation when reapplying. We have held webinars and certification labs statewide to assist applicants with the process. We have conducted outreach and increased the number of certified service disabled veteran owned businesses by 121 percent since FY18.



The agency has also been successful in updating its technology to meet the needs and expectations of the citizens of the Commonwealth. In 2017, the agency launched a new website as well as a new certification application portal. The agency created an enhanced SWaM and DBE directory to assist Commonwealth procurement officials with identification and location of certified vendors. DSBSD, in 2018, worked with nineteen state agencies to provide them with real time data feeds on SWaM certification information. These feeds populate SWaM certification data into DGS’s eVA system, DOA’s Cardinal system, VITA’s subcontractor portal and various institutions of higher education’s ERP systems. The agency launched a new Expenditure Dashboard application in FY20, which contained enhanced reporting, adjustment submission, and subcontractor submission capabilities. The agency has begun work to enhance the Business One Stop application.

The agency has accomplished a great deal and appreciates the opportunity to highlight the work that has been done and the work that will be accomplished in this upcoming reporting period. We stand ready to continue our support of the small businesses of the Commonwealth. There are currently 745,886 businesses in Virginia, of which 99.5 percent are small businesses. Virginia small businesses employed 1.5 million people or 47.2 percent of the private workforce in 2013. Our small businesses are the backbone of Virginia’s economy.

Appendix:

The agency will use the USDA definition of rural, which includes the following localities:

Accomack, Alleghany, Bath, Bland, Brunswick, Buchanan, Buena Vista City, Carroll, Charlotte, Covington City, Cumberland, Danville City, Dickenson, Emporia City, Essex, Franklin City, Galax City, Grayson, Greensville, Halifax, Henry, Highland, King and Queen, King George, Lancaster, Lee, Lexington City, Louisa, Lunenburg, Madison, Martinsville City, Mecklenburg,

Middlesex, Northampton, Northumberland, Norton City, Nottoway, Orange, Page, Patrick, Pittsylvania, Prince, Edward, Richmond, Rockbridge, Russell, Shenandoah, Smyth, Southampton, Surry, Tazewell, Westmoreland, Wise, and Wythe.

The following localities have geographic areas within them that have been designated rural as well:

Amherst, Bedford, Campbell, Culpeper, Dinwiddie, Floyd, Franklin, Goochland, Nelson, Pulaski, Rappahannock, Sussex, and Warren.