

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: CS/SB 224

INTRODUCER: Committee on Appropriations (Recommended by Appropriations Subcommittee on Transportation, Tourism, and Economic Development) and Senator Detert

SUBJECT: Florida Small Business Development Center Network

DATE: March 11, 2013 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|---------|----------------|-----------|------------------|
| 1. | Smith | Hrdlicka | CM | Favorable |
| 2. | Pingree | Martin | ATD | Fav/CS |
| 3. | Pingree | Hansen | AP | Fav/CS |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

CS/SB 224 establishes several provisions related to the Florida Small Business Development Center Network (network).

The bill:

- Aligns the network’s statewide policies with the statewide strategic economic development plan and statewide goals of the university system;
- Specifies the composition of the network’s statewide advisory board;
- Specifies the support services offered by the network;
- Requires the network to provide a match to any direct state appropriation;
- Requires the network to set up incentives for the regional centers to create jobs, institute best practices, and serve new areas of the state or underserved areas; and
- Requires regular reporting by the network on programs, services, and outcomes, including information on the network’s economic benefits to the state.

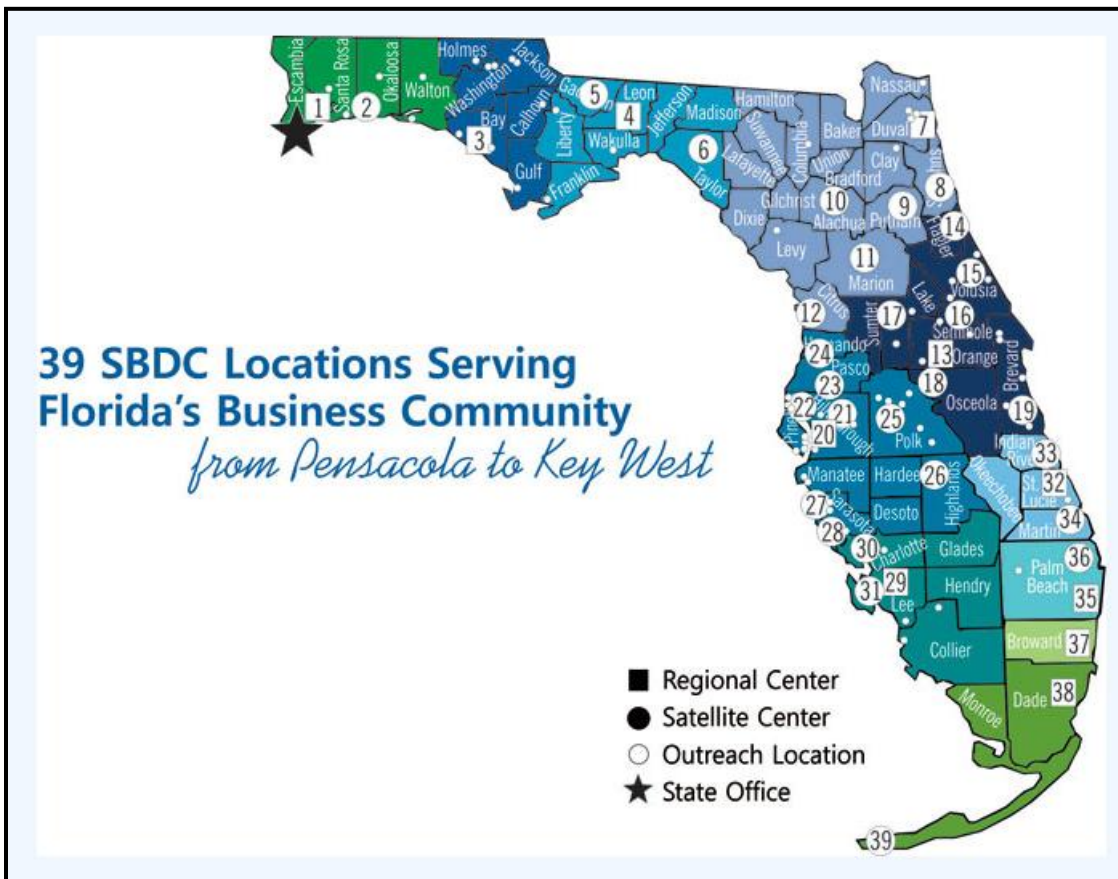
The bill has an insignificant, but indeterminate, fiscal impact.

This bill substantially amends section 288.001, Florida Statutes.

II. Present Situation:

In 2008, the Legislature recognized the Florida Small Business Development Center Network (network) as the principal business assistance organization for small businesses in the state.¹

The network is a consortium of regional small business development centers throughout the state that offer current and prospective small businesses consulting services, training opportunities, and access to other resources and information. Regional centers are based at several of Florida’s colleges and universities, with 39 total locations. The map below illustrates the network’s total geographic range.²



History and Structure

The network originated in 1976 as part of a federal pilot program at the University of West Florida (UWF) for the purposes of providing counseling and advising services for small businesses. UWF was among the 8 original universities selected by the U.S. Small Business

¹ Ch. 2008-149, L.O.F., codified as s. 288.001, F.S.

² Map and detailed location information available at: <http://floridasbdc.org/locations.php>. (Last visited on January 8, 2013).

Administration (SBA) in part because it was already actively providing business services to the local community.³

Today, the national Small Business Development Center program is administered by the Office of Small Business Development Centers within the SBA.⁴ The national program is made up of 63 networks throughout the U.S., the District of Columbia, and four territories. Federal laws⁵ and regulations⁶ require that the various state-level programs be located at institutions of higher education.

The network's state headquarters are located at UWF. As the host institution of the statewide network, UWF's president is responsible for appointing and hiring the statewide director,⁷ who serves as the statewide program's single point of contact for management and operations. The statewide director is an employee of UWF.

Federal requirements stipulate that the network must have a state advisory board that includes small business owners from across the state program's area of service.⁸ Advisory board members serve to advise the statewide director on areas including strategic direction and advocacy. The current statewide advisory board is selected through a nomination process, whereby nominations are forwarded to the statewide director, who considers each candidate.⁹ Network policies require nominees to be "sympathetic and familiar with small business needs and problems."¹⁰ Once the statewide director has reviewed nominees, the state advisory board's chair along with several other board members review the nominee's credentials further to make a final determination as to whether to approve or deny the nominee. If approved, the statewide director and UWF's provost send a letter of approval and congratulations to the nominee. Member terms last for 3 years, and there is no requirement limiting the number of times a member may be reappointed.

Program funds are overseen by the network's statewide director's office. Total program funds are approximately \$11-12 million annually, consisting of federal grant funds, cash match, indirect, and in-kind donations.¹¹ Federal requirements stipulate that the network provide an equal match to any federal grant, of which at least 50 percent must be cash, with the remaining amount constituted of indirect costs and in-kind contributions. At least 80 percent of all federally-supplied funds must be used for direct costs of program delivery.¹²

³ Association of Small Business Development Centers, *A Brief History of America's Small Business Development Center Network*, available at: http://www.asbdc-us.org/About_Us/aboutus_history.html. (Last visited on January 8, 2013.)

⁴ OSBDC website, available at: <http://www.sba.gov/about-offices-content/1/700>, (Last visited on January 9, 2013).

⁵ 15 U.S.C s. 648.

⁶ 13 CFR ss. 130.100-130.830.

⁷ Florida Small Business Development Center Network, *Application to establish the Florida Small Business Development Center Network as a State of Florida Center*, (July, 2009), available at: http://uwf.edu/trustees/Dec12_08/SBDC_Application.pdf, (Last visited on: January 10, 2013).

⁸ *Supra* note 5 and 13 CFR s. 130.360.

⁹ FSBDCN website, "State Advisory Board," available at: <http://floridasbdc.org/advisory.php>, (Last visited on: January 10, 2013).

¹⁰ *Supra* note 7 at page 14.

¹¹ *Supra* note 7 at page 15.

¹² *Supra* note 5 and 13 CFR s. 130.110.

All federal grant funds are transferred directly to the network's statewide director's office. In order to meet the program's cash match and indirect requirements, participating host colleges and universities are required to, at a minimum, pay the costs of hiring a regional director and support staff, and supply additional expense funds for program operations. While the network does not currently receive a direct state appropriation, state funding is indirectly applied to the program through each participating college or university's budget.¹³ Direct state appropriations to the network were provided in prior years, as follows:

- Fiscal Year 2008-09 - \$250,000
- Fiscal Year 2009-10 - \$250,000
- Fiscal Year 2010-11 - \$500,000
- Fiscal Year 2011-12 - \$500,000 (VETOED)

Additional cash and indirect support for member regional centers may be provided by local economic development organizations, regional workforce boards, local chambers of commerce, private companies, and others.¹⁴

Member regional centers receive federal funds by responding to an annual Request for Proposal that is managed by the statewide director's office. Each response must contain a detailed budget, program narrative, and deliverable goals. Any funds awarded to regional centers are allocated based on a funding formula. The formula is as follows:¹⁵

- 60 percent based on population;
- 10 percent based on business population; and
- 30 percent based on the size of the geographic area served by the regional center.

The National Association of Small Business Development Centers (ASBDC) operates under a contract with the U.S. SBA to conduct a Congressionally-required review of the network every 5 years.¹⁶ The SBA also conducts bi-annual financial examinations of the network, and each regional center within the network is reviewed annually by a designated SBA project officer. Additionally, each regional center is subject to internal review by its host institution as well as a review every 10 years by the Southern Association of Colleges and Schools.¹⁷

Services and Results

Regional centers provide prospective and current small business owners with a variety of consulting services. Many of the state's 39 regional centers allow those interested in services to receive in-person and online consulting services. Each regional center is staffed by Certified Business Analysts (CBAs) who are paid employees. Many regional centers also receive

¹³Conversation with Jerry Cartwright, FSBDCN State Director, on December 10, 2012.

¹⁴*Supra* note 7 at page 16.

¹⁵*Supra* note 7 at page 16.

¹⁶Discussion with Jerry Cartwright, FSBDCN State Director, on December 11, 2012.

¹⁷*Supra* note 7 at page 18.

assistance from unpaid volunteers who are experts in certain areas of business. Typical consulting services offered at regional centers include:¹⁸

- Business plans and start-up assistance;
- Marketing and revenue strategies;
- Accounting, budgeting, and tax assistance;
- Human resources and management consulting;
- International trade assistance and advice;
- Strategic planning;
- Government contracting assistance; and
- Assistance with locating financing, including SBA loans.

In addition to walk-ins, appointments, and on-line consulting services, regional centers frequently offer seminars, workshops and other training opportunities.¹⁹ Such opportunities are taught by CBAs, host institution faculty, as well as government and private-sector professionals. Nominal fees may be charged for attending training opportunities.

According to the network's 2011 Annual Report,²⁰ a 2011 economic and statistical analysis of the network conducted by the Haas Center for Business Research at UWF determined that for every dollar invested by Florida taxpayers, \$6.60 in local and state tax revenue was returned. A survey of other statewide program results is below:

| Service | 2011 | 1980-2011 |
|--|--------|-----------|
| New Businesses Started | 1,026 | 9,089 |
| Entrepreneurs & Small Businesses Served | 38,444 | 1,143,578 |
| Consulting Hours Delivered | 57,688 | 1,778,404 |
| Training Events Delivered | 1,464 | 35,989 |

State of Florida Center Designation

On August 6, 2009, the State University System's Board of Governors (BOG) designated the network as a State of Florida Center.²¹ BOG regulations²² state that in order for an entity to be designated as a State of Florida Center, it must have a statewide mission, may include two or more state universities, and be established to coordinate inter-institutional research, service, and teaching across the State University System.

¹⁸ Survey of regional small business development center websites. Visit <http://floridasbdc.org/locations.php> for links to each location's website. (Last visited on January 11, 2013.)

¹⁹ See <http://floridasbdc.org/training.php>, (last visited on January 11, 2013).

²⁰ FSBDCN Annual Report available at: <http://floridasbdc.org/Docs/2012/2011-Annual-Report/index.html>, (last visited on January 11, 2013).

²¹ FSBDCN Press Release, (August 14, 2009), available at: http://floridasbdc.org/News/Press/Archive/Press_Aug_14_2009.pdf, (last visited on January 11, 2013).

²² Board of Governors Regulation 10.015 – Institutes and Centers, available at: http://www.flbog.edu/documents_regulations/regulations/10_015_Institutes_and_Centers.pdf, (last visited on January 11, 2013).

III. Effect of Proposed Changes:

Section 1 amends s. 288.001, F.S., relating to the Florida Small Business Development Center Network.

The bill specifies the purpose of the network is to serve emerging and established for-profit, privately held businesses with a place of business in the state.

Statewide director

The bill specifies several requirements of the network's statewide director. Relating to the statewide director, the bill requires the director to:

- Operate the network in compliance with federal law and Board of Governors Regulation 10.015;
- Consult with the Board of Governors, the Department of Economic Opportunity (DEO), and the network's advisory board to ensure that the policies and programs of the network align with the statewide economic development plan and state university goals;
- Develop support services to be offered by the network in consultation with the advisory board;
- Develop a pay-per-performance incentive for regional small business development centers and incentive programs to support small business assistance best practices, enhance program participation, and ensure network services are offered statewide;
- Update the Board of Governors, DEO, and the advisory board quarterly on the network's performance; and
- Present an annual report on June 30th to the President of the Senate and the Speaker of the House of Representatives on the network's progress and outcomes for the previous fiscal year, including the network's economic benefit to the state.

Statewide advisory board

Federal requirements do not specify how the network's statewide advisory board is to be selected or its size, but do require the board to have members who are small business owners and representative of the program's entire Service Area. In the case of the network, the Service Area is the entire state. The bill provides direction as to the composition of the network's statewide advisory board. The bill requires the statewide advisory board to consist of 19 members from across the state, with at least twelve members being representatives of the private sector who are knowledgeable of the needs and challenges of small businesses. The bill sets a member's term on the board at 4 years, except for five members who initially serve terms of 2 years. Statewide advisory board members may be reappointed to a subsequent term, and may not receive compensation for membership on the statewide advisory board, but may receive reimbursement for per diem and travel expenses. Per diem expenses are authorized by federal requirements. The statewide advisory board is required to be composed of the following:

- Three members from the private sector appointed by the Governor. (Two of whom initially serve 2-year terms.)

- Three members from the private sector appointed by the President of the Senate. (One of whom initially serves a 2-year term.)
- Three members from the private sector appointed by the Speaker of the House of Representatives. (One of whom initially serves a 2-year term.)
- Three members appointed by the statewide director. (One of whom initially serves a 2-year term.)
- One member appointed by the host institution. (UWF)
- The President of Enterprise Florida, Inc., or his or her designee.
- The Chief Financial Officer or his or her designee.
- The President of the Florida Chamber of Commerce or his or her designee.
- The Small Business Development Center Project Officer from the U.S. Small Business Administration at the South Florida District Office or his or her designee.
- The Executive Director of the National Federation of Independent Businesses, Florida or his or her designee.
- The Executive Director of the Florida United Business Association or his or her designee.

The bill codifies the current membership of the statewide advisory board, with the exception of two additional members to be appointed by the network's statewide director. The bill provides that minority and gender representation must be considered when making appointments to the statewide advisory board.

Support Services

The bill specifies that the statewide director and the advisory board must develop support services that are delivered by regional small business development centers. Support services must target the needs of businesses that employ fewer than 100 persons and demonstrate a capacity to grow in employment or revenue. Businesses receiving support services must agree to participate in an assessment of services received. Information requested of participating businesses includes demographic information, changes in employment and sales, debt and equity capital attained, government contracts obtained, and other information as required by the host institution (UWF).

The bill establishes the parameters of support services offered to businesses. Services include providing information or research, consulting, educating, or otherwise assisting businesses in areas such as: planning related to a start-up business; developing strategic or business plans; offering financial literacy education; helping businesses identify and expand to new markets; supporting access to capital for business investment or expansion, including provision of technical assistance related to obtaining surety bonds; and assisting existing business with natural or man-made disaster planning. This largely codifies the support services already offered by the network.

Additional State Funds

The bill requires the network to provide a match equal to the amount of any direct legislative appropriation. The match provided by the network must consist of 50 percent cash, with the remaining 50 percent coming from in-kind, additional cash, or other indirect costs. The cash

requirement may consist of federal funds received by the network. This requirement is similar to existing matching funds requirements for federal funds.

Should the host institution (UWF) receive additional state funding specifically designated for the network, half of any such funds must be used to establish a pay-per-performance incentive for regional small business development centers. The incentive is to be developed by the statewide director and the advisory board. Funds for the pay-per-performance incentive must be distributed based on the gross number of jobs created annually by each regional center and based on the number of jobs created per support service hour. Pay-per-performance incentive funds received by regional centers must be used to supplement operations and services provided by regional centers. Regional centers may not reduce matching funds dedicated to the small business development center program should they receive any incentive funds under the pay-per-performance program.

The remaining half of any additional state funds received by the host institution (UWF) for the network must be distributed by the statewide director, in coordination with the advisory board, for the purposes of:

- Ensuring support services are available statewide, especially in underserved and rural areas of the state;
- Encouraging colleges and universities to participate in the program; and
- Encouraging the adoption of small business assistance best practices by regional centers.

The network must announce the annual amount of available funds for each program, as well as any performance expectations or other requirements. Applications must be approved by the advisory board and publicly posted. At a minimum, programs must include new regional small business development centers and awards for the top six regional centers that adopt best practices, as determined by the advisory board. Detailed information about best practices must be made available to regional centers for voluntary adoption. Regional centers that are poor performing, have been found to have engaged in improper activity, or have failed to follow program requirements may not receive any award funds. Regional centers may not reduce matching funds dedicated to the small business development center program should they receive any incentive funds under this program.

Reporting Requirements

The bill requires that the statewide director update the Board of Governors, the Department of Economic Opportunity, and the advisory board each quarter on the network's progress and outcomes, including aggregate information on businesses assisted by the network.

In addition to quarterly updates, the statewide director and the advisory board must produce an annual report, due by June 30th, to the President of the Senate and the Speaker of the House of Representatives. The report must include similar information provided quarterly, and must also include information on additional state funds dedicated to the program and the network's economic benefit to the state. The report must include any performance-based metrics used by the network and the methodology used to calculate the economic benefit to the state.

Section 2 provides an effective date of July 1, 2013.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

To the extent that more small businesses are assisted through increased performance by the network and regional centers, the bill may have a positive impact on the private sector.

C. Government Sector Impact:

The bill does not provide any specific resources or funds to establish and implement a pay-per-performance incentive, or resources or funds to establish and implement a best practices program, a program to encourage college and university participation, or a program to increase services to underserved and rural areas of the state.

The bill is expected to have an insignificant, but indeterminate, impact on the operating budgets of the Board of Governors and the Department of Economic Opportunity.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Appropriations on March 7, 2013:

The CS does the following:

- Specifies the network’s purpose as serving emerging and established for-profit, privately held businesses in Florida.
- Requires the network to operate in compliance with federal law and BOG Regulation 10.015.
- Requires the director to *consult* with the BOG, DEO, and the advisory board to align the network’s policies with the state economic development plan and university system goals.
- Establishes the composition of the 19 member advisory board: 12 members from the private sector along with representatives from Enterprise Florida, Inc., the Chief Financial Officer, the Florida Chamber, the U.S. SBA, NFIB, and FUBA. The CS requires that minority and gender representation be considered when appointments are made to the advisory board.
- Specifies support services offered by the network to businesses and requires businesses receiving support services to provide certain data used to assess the network’s services.
- Specifies how the network may use any additional state funds appropriated to the host institution that are specifically designated for the network:
 - Half must be used to support a pay-per-performance program based on jobs created.
 - Half must be used to support expanding services, encourage program participation among colleges and universities, and encourage adoption of small business assistance best practices at the top 6 regional small business development centers across the state.
- Prohibits centers that have poor performance, have been found to have engaged in improper activities, or failed to follow program requirements from receiving incentive funds.
- Requires the director to report quarterly to BOG, DEO and the advisory board on the network’s progress and outcomes.
- Requires the director and advisory board to produce an annual report due June 30 to the President of the Senate and the Speaker of the House of Representatives. Information included must describe the network’s progress and outcomes for the previous year, including the network’s economic benefit to the state.

- B. **Amendments:**

None.