

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: SB 224

INTRODUCER: Senator Detert

SUBJECT: Florida Small Business Development Center Network

DATE: March 5, 2013

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Smith</u>	<u>Hrdlicka</u>	<u>CM</u>	Favorable
2.	<u>Pingree</u>	<u>Martin</u>	<u>ATD</u>	Fav/CS
3.	<u>Pingree</u>	<u>Hansen</u>	<u>AP</u>	Pre-meeting
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

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

The bill links state economic development efforts with those of higher education by requiring the network’s policies and goals be jointly developed by the network’s statewide advisory board, the Department of Economic Opportunity (DEO), and the Board of Governors (BOG). Policies and goals must align with the statewide strategic economic development plan and the goals of the State University System.

The bill has a minimal, but indeterminate, fiscal impact.

The bill:

- Makes the network’s statewide director subject to approval of and removal by the BOG.
- Requires regular updates on the network’s progress to the BOG and DEO.
- Specifies the composition of the network’s statewide advisory board.
- Requires the use of performance-based funding of and budgeting by regional small business development centers with coordination from the network’s statewide director.
- Establishes an innovative incentive program in order to encourage the adoption of small business assistance best practices among regional small business development centers. The innovative incentive program is to be developed jointly by the network’s statewide director and the BOG.
- Requires the network’s compliance with all Federal requirements, including those relating to the removal or suspension of a regional director or other employee.

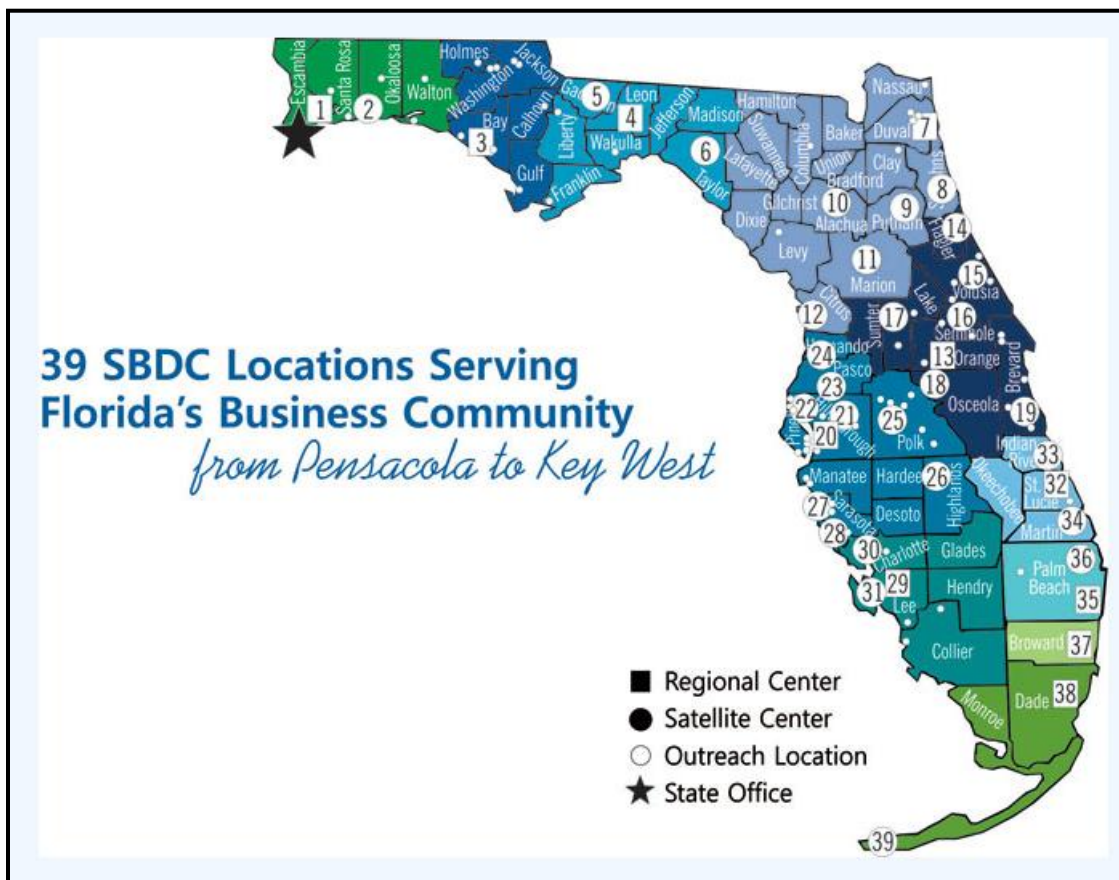
- Amends the powers and duties of the BOG to implement the network.

This bill substantially amends sections 288.001 and 1001.706, 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

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).

businesses. UWF was among the 8 original universities selected by the U.S. Small Business 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:

The bill establishes several requirements for the Florida Small Business Development Center Network.

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

Statewide policies and goals of the network are required to be jointly developed by the network's statewide advisory board, the Department of Economic Opportunity (DEO), and the BOG in order to align the network's policies and programs with the goals of the State University System and the statewide strategic economic development plan.

Statewide director

The bill directs that the statewide director shall be subject to final approval of, and removal by, the BOG. This leaves UWF principally involved in the selection and hiring of the statewide director as is current practice, but requires the BOG to approve any final hiring decision.

The bill requires the statewide director to:

- Regularly update the BOG and DEO on the network's progress and outcomes.
- Work with regional centers to establish and approve budgets in order to ensure they align with the network's statewide policy and goals as developed by the network's statewide advisory board, DEO, and the BOG.
- Establish accountability measures to ensure proper expenditure of funds and alignment with the network's statewide policy and goals.
 - Accountability measures must include performance-based metrics for contractual agreements. This moves the network's current budgeting policy away from formula-based funding to performance-based funding.
- Coordinate with the BOG to establish an innovative incentive program which includes awards to regional centers in order to encourage adoption of small business assistance best practices.
 - Regional centers are prohibited from reducing matching funds dedicated to the small business development center program should they receive any additional funds as a result of the innovative incentive program.
- Develop performance-based metrics for the innovative incentive program.

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 to be 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 17 members from across the state, with at least ten members being representatives of the private sector who are knowledgeable of and sympathetic to 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.)
- One member appointed by the statewide director. (This member shall initially serve 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 President 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.

Requirements relating to regional center directors and employees

The bill requires the network and the statewide director to operate the program in compliance with all federal laws and regulations, including those relating to the termination or suspension of a regional center's director or other employees for actions that cause harm to the program or that cause the public to question the integrity of the program.

Section 2 amends s. 1001.706, F.S., relating to the powers and duties of the Board of Governors. The bill specifies that the Board of Governors has the powers and duties to implement the network and the requirements of Section 1 of the bill.

Section 3 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 an innovative incentive program.

The bill is expected to have a minimal, 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.)

None.

B. Amendments:

None.