

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: January 19, 2010

SUBJECT: Fiscal Impact Statement – “Small Business Stabilization and Job Creation Strategy Act of 2009”

REFERENCE: Bill Number 18-457 – Draft Committee Print received on January 11, 2010

Conclusion

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation does not have an impact on the District’s budget and financial plan.

Background

The proposed legislation would amend the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005¹ to require the Department of Small and Local Business Development (DSLBD) to provide stabilization services to Certified Business Enterprises (CBEs), to establish a volunteer program for mentoring and networking, to develop a plan for using small business resources as a catalyst for job creation, and to provide procurement assistance. Specifically, the new sections proposed to be added to the D.C. Official Code would cover the following areas:

Services to Certified Business Enterprises:

The proposed legislation would require the DSLBD to provide the following services to CBEs in the District:

¹ D.C. Law 16-33; D.C. Official Code § 2-218.01 *et seq.*; by adding a new Subpart 3A (Stabilization and Job Creation Strategy) to Part D, which consists of § 2365a (Services to Certified Business Enterprises), § 2365b (Mentoring and Networking), § 2365c (Management and Direction), and § 2365d (Procurement Training and Assistance).

- Specialized programs to assist CBEs in securing capital and repairing damaged credit;
- Informational seminars on securing credit and loans;
- One-on-one counseling with potential borrowers to improve financial presentations to lenders; and
- Access to non-traditional financing sources, as well as traditional lending sources.

Additionally, the proposed legislation would require DSLBD to develop the following tools and resources for CBEs:

- On-line catalog of survival and growth tools and resources that business enterprises can access through the internet and external business organizations;
- Business advisory capacity to provide expert consulting and education to assist small businesses at risk of failure;
- A formal listing of financing options for small business capital access; and
- Services that help dislocated workers start new businesses.

Establish Mentoring and Networking Programs and Activities:

The proposed legislation would also require DSLBD to establish a volunteer program that would be referred to as the Volunteer Corp of Executives and Entrepreneurs (Volunteer Corps). The program would provide mentoring, education, and consulting services to CBEs. Under the proposed legislation, the Director of DSLBD would be required to ensure that the Volunteer Corps carry out the following activities:

- Develop and carry out a plan to increase the proportion of mentors who come from socially and economically disadvantaged backgrounds, and provide a report to the Council on the implementation of this plan;
- Establish benchmarks for use in evaluating the performance of its activities and the performance of its volunteers, and provide to the Council an annual report outlining the extent to which these benchmarks are being met;
- Establish a mentoring program for CBEs that provide one-on-one advice from qualified counselors;² and
- Establish and implement a networking program which provides CBEs with the opportunity to make business contacts in their industry.

The proposed legislation would allow the Volunteer Corps to solicit cash and in-kind contributions from the private sector to carry out its functions and responsibilities as required under the legislation.

Management and Direction:

Under the proposed legislation, DSLBD would be required to do the following:

- Develop within 90 days a plan for using District small business development resources as a catalyst for job creation;

² The term "qualified counselor" is defined in the legislation as counselors with at least 10 years experience in the industry sector or area of responsibility of the small business enterprise seeking advice.

- Publicize rules to develop and implement a consistent data collection process to cover all small business development programs in the District;
- Establish a catalog of providers of small business development services and make such catalog available through DSLBD's web site;
- Prepare and submit to Council a report on opportunities to foster coordination, limit duplication, and improve program delivery for small business development programs; and
- Designate a staff member as a community specialist to work with local small development service providers to increase coordination with Federal agencies. Additionally, the Director of DSLBD is required to establish benchmarks for measuring the performance of the community specialist.

Procurement Training and Assistance:

The proposed legislation would also require DSLBD to carry out the following procurement training and assistance activities:

- Identify contracts that are suitable for CBEs;
- Assist small businesses through informational presentations and the dissemination of information to identify and prepare for business opportunities made available under the American Recovery and Reinvestment Act of 2009; and
- Provide technical assistance regarding the District and Federal procurement processes, including assisting small business enterprises to comply with local and federal regulations and bond requirements.

The proposed legislation would also make amendments to the Department of Small and Local Business Development Amendment Act of 2009³ to retain D.C. Official Code § 2-218.63 paragraphs (4), (5), and (6) of subsection (b) and subsections (c), (d), and (e).

Financial Plan Impact

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The provisions of the proposed legislation can be implemented within DSLBD's existing budget, and do not have an impact on the District's budget and financial plan.

At present, DSLBD provides many similar services to CBEs. Upon discussions with the agency, the Office of the Chief Financial Officer has determined that the requirements of this legislation can be achieved by reorganizing these services and the associated tasks. These changes can be implemented with the agency's existing resources.

³ Bill 18-332, Department of Small and Local Business Development Amendment Act of 2009, proposes changes to the D.C. Official Code § 2-218.63(b) so that paragraphs (1), (2), and (3) are amended and reorganized, and paragraphs (4), (5), and (6) are repealed. The instant legislation nullifies the proposed repeal of the D.C. Official Code § 2-218.63 (b) paragraphs (4), (5), and (6), and subsections (c), (d), and (e).

Two areas in which possible additional resources might be required by the proposed legislation are (1) providing individual counseling, particularly for one-on-one counseling with potential borrowers to improve the quality of financial presentations to lenders, and (2) developing business advisory capacity to provide expert consulting and education to assist small businesses at risk of failure. At present, DSLBD offers seminars, in partnership with lenders, that teach potential borrowers financial presentation skills. In order to fulfill the one-on-one counseling requirement, as well as the requirement to develop business advisory capacity to assist at-risk-of-failure small businesses, the agency is planning to make an arrangement with DC Minority Business Enterprise Center ("Enterprise Center"), which could provide these services free of charge. DSLBD and the Enterprise Center are undertaking MOU discussions at present to provide one-on-one counseling services and to develop business advisory consulting at no cost to the agency.