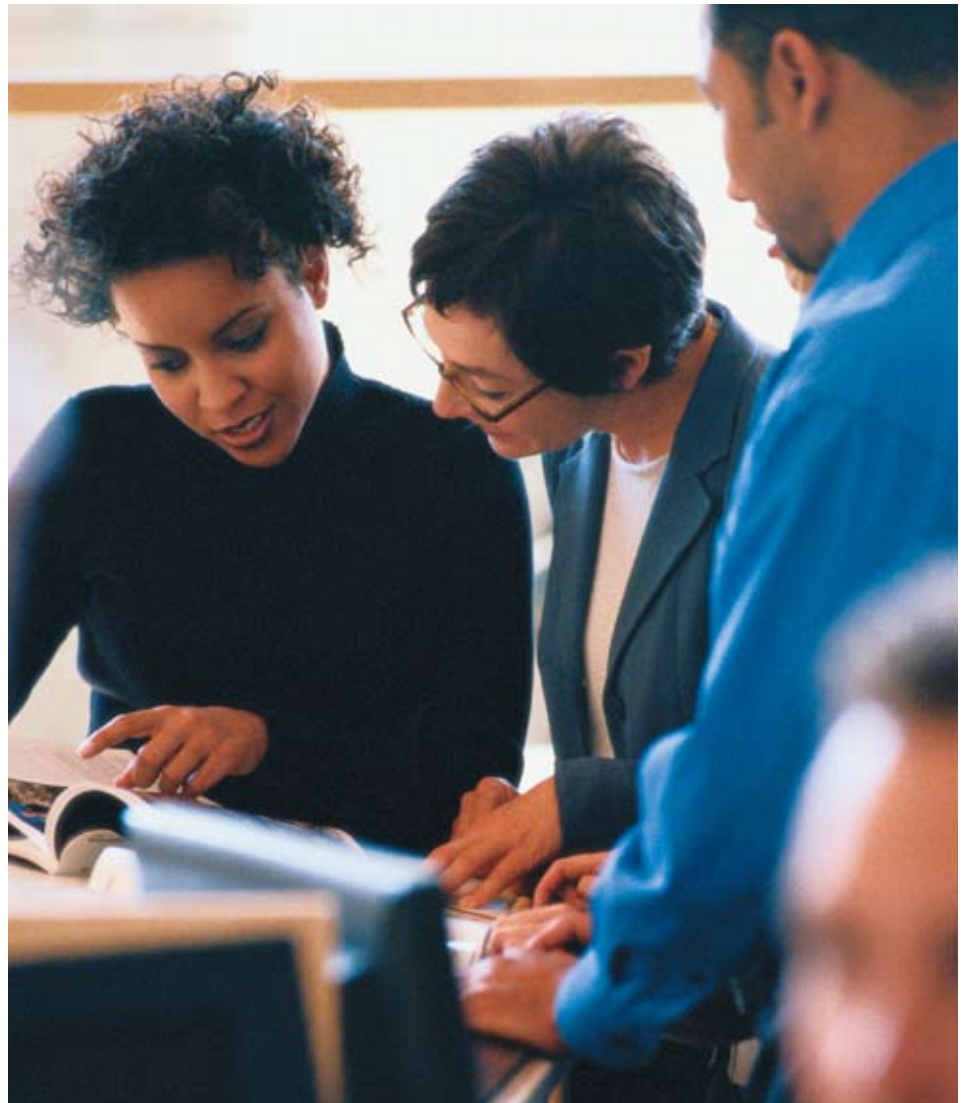




# Targeted Small Business Task Force





December 8, 2006

The Honorable Thomas J. Vilsack  
State Capitol  
Des Moines, IA 50309

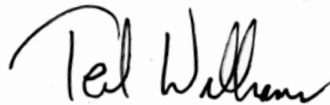
Dear Governor Vilsack:

Thank you for the opportunity to serve on the Targeted Small Business (TSB) Task Force created through Executive Order 49. It has been a pleasure to serve as co-chairs of this committed group of individuals representing TSB, state departments and the legislature.

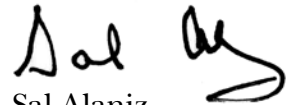
On behalf of the Task Force, it is an honor to present our recommendations for advancing the TSB Program. Although our time together as a group has been short, the Task Force has gathered information, communicated with constituencies involved, identified best practices and synthesized data to provide reasonable and realistic recommendations.

Again, thank you for allowing us to serve in this capacity.

Sincerely,



Ted Williams  
TSB Task Force Co-Chair



Sal Alaniz  
TSB Task Force Co-Chair

# Task Force Members

Co-Chair Ted Williams, Des Moines

Co-Chair Sal Alaniz, Mt. Pleasant

G. Curtis Baugh, Pella

Maureen Elbert, Algona

Frank Osako, Cedar Rapids

Gene VanGrevenhof, Ft. Dodge

Dean Lerner, Dept. of Inspections and Appeals

Debbie O'Leary, Dept. of Administrative Services

Walter Reed, Dept. of Human Rights

Senator Jack Hatch, Des Moines

Senator Pat Ward, West Des Moines

Rep. Wayne Ford, Des Moines

Rep. Clarence Hoffman, Denison



# Report Overview

The TSB Program was created in 1986 as an economic development program to promote the growth and development of Iowa businesses owned and operated by minorities, women and persons with disabilities. It was intended that the State of Iowa provide the necessary procurement, financial and technical assistance to help these businesses effectively participate in Iowa's economy.

The TSB Task Force was created with Executive Order 49 issued by Governor Thomas J. Vilsack on August 4, 2006. Citizen members representing constituencies of the TSB Program, as well as state department designees and legislators, were appointed to study Iowa's targeted small business programs in order to determine if they are still needed and, if so, how to improve, enhance and increase the efficacy and efficiency of the programs. The Executive Order asked the Task Force to include at least the following in their recommendations:

- the funding source and level provided for the TSB program;
- the program's criteria for funding projects;
- the compatibility and integration of the TSB program with other economic development efforts of the state;
- the level of assistance provided by the TSB program;
- the training and technical assistance opportunities provided to targeted small businesses; and
- outreach efforts to increase awareness and participation in the program.

The Task Force has been meeting since September researching historical data and previous recommendations, exploring best practices in other states and programs, and identifying priorities for improving the TSB Program and its three major components – certification, financial assistance, and procurement.

While working together as a Task Force, the over arching goal that emerged was increasing the number of businesses owned by minorities, women and persons with disabilities and their ability to create and sustain jobs and wealth.

## Report Overview *(Continued)*

Six recommendations have been identified by the Task Force meant to improve the TSB Program to meet the overall goal. They are:

1. Provide business mentoring and professional development opportunities for TSBs to increase long-term success.
2. Provide financial and staff resources to the TSB Financial Assistance Program to adequately assist approximately 70 Targeted Small Businesses.
3. Develop the TSB Program infrastructure to allow for department coordination, compliance, checks-and-balances and citizen oversight.
4. Increase the level of customer service for existing and potential TSBs by utilizing process improvement, electronic access, and networking and recognition opportunities.
5. Increase state government's use of TSBs in the procurement process.
6. Increase access to the TSB program by expanding the income qualification criteria and increased and improved service during the certification process.

Two ideas particularly are keys to the ongoing success of the TSB Program.

First, knowing that the national failure rate for new employer establishments is 56 percent within four years (source: SBA), a much more extensive mentoring component must be inserted into the TSB Program. Establishing entities that will more directly focus on recruiting potential TSBs, assist them with business planning and provide ongoing mentoring assistance will ensure the success of these endeavors, thereby increasing the whole TSB effort.



Secondly, the legislature must commit financial resources to the program – not only to provide the mentoring that is essential, but also to provide adequate marketing, staffing, and technical assistance dollars for the TSB Program. It is recommended by the committee that the Legislature provide \$3.5 million to initially fund the TSB Program, including dollars for marketing, outreach, financial assistance and compliance. Furthermore, the Task Force recommends a 20 percent annual increase over a three-year period to accommodate ongoing expansion of the program.

By conservative estimates, the State of Iowa currently has over 77,000 businesses owned by minorities, women or persons with disabilities contributing at least \$8.2 billion in annual sales to Iowa's economy. Given the impact and potential to grow the influence of the Targeted Small Business Program, the Task Force encourages Iowa's ongoing investment in this important segment of our economy.

# Recommendations

## **1. Provide business mentoring and professional development opportunities for TSBs to increase long-term success.**

Because mentoring services have been identified as a key to success in improving the TSB program, the Task Force recommends establishing six “Special Accelerators” funded at \$150,000 each to recruit, prepare and mentor TSBs. A Request for Proposal (RFP) would be issued to determine the entities with whom to work. The contract would require these “special accelerators” to work in conjunction with SBDCs and existing business accelerators, or could feasibly be one of these entities.

This would provide the opportunity to target under served areas to particular regions with a high population of targeted businesses. TSBs receiving grants or loans would be required as part of their contracts to utilize ongoing mentoring services from these “special accelerators” to increase opportunities for long-term success.

TOTAL SUGGESTED FUNDING: \$900,000

## **2. Provide financial and staff resources to the TSB Financial Assistance Program to adequately assist approximately 70 Targeted Small Businesses.**

The program would continue to provide financial assistance awards in the form of loans and grants (or forgivable loans) up to \$50,000 and resurrect the Loan and Credit Guarantee Program offering an 80% guarantee for seven years, making that component competitive with others offered. The committee recommends the continued use of a loan review committee – whose job it is to conduct additional review of applications for funding. In addition, IDED contracts will include “claw back provisions” to provide accountability for taxpayer dollars.

The financial assistance component of the TSB Program has existed since 1986, and at the height of the program assisted 56 TSBs with its \$650,000 appropriation. Since 2000, the TSB Financial Assistance Program has not received an appropriation but has been continuing by utilizing repayments to the loan program. Dwindling funds have diminished the program’s impact, with only 16 TSBs assisted in FY 2006. Adequate resources to provide appropriate levels of staffing as well as financial assistance, will re-energize the demand and stature of the TSB Program. The committee recommends annual funding allocated for TSB projects in the amount of at least \$2.1 million.

TOTAL SUGGESTED FUNDING: \$2,100,000

**3. Develop the TSB Program infrastructure to allow for department coordination, compliance, checks-and-balances and citizen oversight.**

Coordination and communication is critical to the success of the TSB Program. When multiple entities are, of necessity, involved in the program, coordination is key to reducing duplication of processes, ensuring consistent and accurate communication of program requirements, and providing key points of contact. In order to accomplish a smooth-running program, the Task Force recommends appointing the Iowa Department of Economic Development (IDED) as the lead marketing agency for the TSB Program. In this role, IDED will coordinate program activities with the Department of Inspections and Appeals, Department of Administrative Services – General Services Enterprise, Department of Education, Department of Management, and any other entities and agencies involved in the TSB Program.

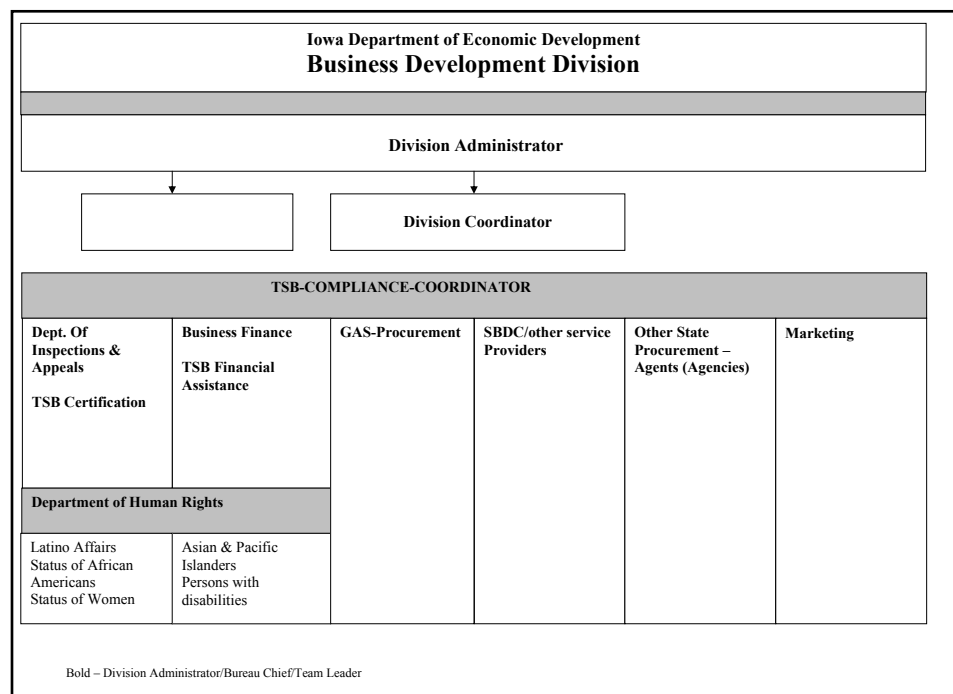
As lead department, IDED would house the TSB coordinator/compliance manager whose major functions will include overseeing the mentoring service providers, providing marketing support for the TSB Program, providing guidance for state agencies during the procurement process and oversee reporting requirements to the Legislature and Governor on TSB program progress.

Maintain separation of program responsibilities – since checks and balances are critical in a system utilizing state resources. To avoid the appearance of impropriety and create a checks-and-balances system for the TSB Program, the Task Force recommends certification remain with the Department of Inspections and Appeals, financial assistance remain with the Department of Economic Development, and procurement remain with the Department of Administrative Services – General Services Enterprise.

Finally, the committee recommends the appointment

of a permanent Advisory Board to add citizen oversight and public input in the policy-making decisions for the program. The Advisory Board should also include representatives from the Department of Human Rights’ Commissions, including Division of Latino Affairs, Status of African-Americans, Status of Women, Status of Asian and Pacific-Islanders, and Division of Persons with Disabilities. Members could serve on subcommittees focused on outreach, procurement, certification, financial review, etc.

**TOTAL SUGGESTED FUNDING:**  
\$200,000



**4. Increase the level of customer service for existing and potential TSBs by utilizing process improvement, electronic access, and networking and recognition opportunities.**

Eliminating delays, simplifying and streamlining applications and contracts, and providing easy access to information and bidding opportunities will create a user-friendly process and help ease the burden on applicants, businesses and staff to improve the success of TSBs. With this in mind, the Task Force recommends utilizing the Kaizen process for the certification, financial assistance and procurement aspects of the TSB Program, with state agencies and selected stakeholders participating in the event. Kaizen means “improvement” and is a strategy that calls for never-ending efforts of improvement involving everyone in the organization. It concentrates on improving the process rather than achieving certain results and would improve access and timeliness of the TSB program.

Continuing to advance e-government efforts, like building an electronic system for TSB certification and re-certification, will enhance the customer service available to potential TSBs, as well as the public interested in accessing TSB listings online.

In addition, current TSBs and potential TSBs will benefit from various networking and recognition opportunities. Events like vendor fairs and TSB Award Banquets will allow the state to identify “poster children” for the program and provide opportunities to showcase the program and its results to a broader audience through potential media coverage.



TOTAL SUGGESTED FUNDING: \$200,000

**5. Increase state government’s use of TSBs in the procurement process.**

Supporting state procurement opportunities for TSBs must come from the highest levels of government, so the Task Force recommends Governor and Department Director involvement in achieving continued improvement. We request that the incoming Governor consider regular communications with directors about the importance of this goal and consistently examine reports that reflect the increase in TSB dollars spent by department based on a set goal of dollars spent by department instead of by percentage (as currently calculated).

In addition, enhancing the education and training of procurement agents about contract opportunities with TSBs and pursuing the “best practices” of other states that have successfully increased the number of contract opportunities for TSBs will allow departments to improve their participation in utilizing TSBs.

The Task Force recommends examining the feasibility of increasing the \$5,000 dollar threshold that agencies are allowed to purchase from a TSB without a competitive bid. This would again allow for more opportunity to buy products or services from TSBs.

Finally, it is necessary to improve the notification of procurement opportunities for TSB vendors and enhance the audit requirements to ensure that agencies are properly notifying TSB vendors about bid opportunities as required. Reporting requirements when a general contractor is utilizing TSBs should also be improved and audited for compliance. In addition, enhancing the 48-hour notification site by adding password capability and electronic notification to TSBs that have identified their interests will ensure that TSBs are getting the full benefit from access to this early information.

TOTAL SUGGESTED FUNDING: \$0

**6. Increase access to the TSB program by expanding the income qualification criteria and increased and improved service during the certification process.**

Certification is the foundation of the TSB program. The other aspects of the TSB program – including financial assistance and procurement – are not applicable without certification. Implementation of other Task Force recommendations, such as expanded outreach, streamlined and user-friendly processes and increased financial assistance (based on past history), will result in an increase in the number of applicants. To ensure TSB applicants are fully qualified, timely certified, and receive the necessary education and technical assistance to complete the application process, the Task Force recommends providing adequate certification staff by initially funding one FTE in the Department of Inspections and Appeals. This staff person would also conduct outreach efforts with IDED, and ensure a real-time, accurate directory of TSBs is easily accessible to procurement officers and the public.

Furthermore, the Task Force recommends raising the annual gross income level for qualifying as a TSB to \$4 million. In 1986, when the TSB program was legislated, the annual gross income level was set at \$3 million. However, due to the change in the value of money over the last 20 years, this adjustment will maintain the intent of the income limit while responding to economic forces at play.

TOTAL SUGGESTED FUNDING: \$100,000





# Targeted Small Business Task Force

*December 8, 2006*