



**State of Florida  
Office of Small Business Advocate**

**REPORT ON  
SMALL BUSINESS ISSUES AND RECOMMENDATIONS**

**COMPILED BY THE**

**STATE OF FLORIDA  
OFFICE OF SMALL BUSINESS ADVOCATE**

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## Small Business Issues and Recommendations

Many SME's are thriving despite the challenges they faced during 2009. Their owners and employees turned out in force to attend the OSBA's 15 Small Business Issues Forums and 3 Town Hall Meetings, convened in cities from Key West to Pensacola, and other locations throughout the state. Hundreds of companies that employed from 1 to over 400 workers attended these events. Others responded to an OSBA online Small Business Issues Survey. More than 600 SMEs and business support organizations participated in this process. They were looking for a listening ear, and information to help their businesses survive the economic downturn. They stepped up to help the OSBA compile a list of the issues they were facing and ways they believed the state could intervene and help to facilitate the stabilization and expansion their businesses and our state economy. The top 10 issues and some of the key recommendations on the top 5 issues are summarized below.

### Top 10 Issues Facing Small and Medium Sized Enterprises in Florida and the Number of Participants who Ranked the Issue as a Priority

1.	Access to capital-Financing for expansion and new venture formation	(344)
2.	Lack of Incentives for Small Businesses	(320)
3.	Stable/Favorable Small Business Climate	(306)
4.	Affordable Healthcare Coverage	(187)
5.	State Regulations	(131)
6.	Growing State and National Deficits	(107)
7.	Property Insurance Costs	(101)
8.	Energy Costs/Incentives for "Green" Practices	(89)
9.	Property Taxes	(88)
10.	Increasing Home Foreclosures	(88)

### Top 5 Issues and Summary of Recommendations

#### Issue 1

#### Access to Capital-Financing for expansion and start-ups

Lender's financial crisis has resulted in the elimination access to debt financing for SMEs until the banks clean up their portfolios. Even exiting SMEs with good credit history are now unable to secure financing for working capital, facility expansion, exporting and other needs.

Due to the lack of debt capital from lenders or merger, acquisition or IPO opportunities, Venture Capitalists and Angel Investor are not making investments in any new deals. Since they are unable to exit from their existing portfolio holdings, investors are reserving their cash to keep their current companies afloat.

#### Recommendations:

- ❖ Create a State of Florida Revolving Loan and Loan Guarantee Program
  - \* Authorize up to \$500 million in Bonding Authority Funding to be drawn down as needed to fill the gap left by the commercial bank crisis.
  - \* To be administered by State Certified Development Corporations (CDCs), IDAs and/or local EDCs with loan administration program experience.

- ❖ Authorize a Small Business Emergency Bridge Loan Program to Accelerate Economic Recovery - \$50 Million
  - \* 2 to 5 year term - Maximum loans \$500,000 - uses: M&E, Inventory and Working Capital
  - \* 1 year moratorium on interest and principle payments-no interest if repaid in year 1 Interest 0 to 3% year 2 - Prime year 3 - Prime + year 4 and beyond.
  - \* Eligibility: Incorporated as a for-profit business in FL for at least 3 years (LLC, LLP, C Corporations and Sub S included); financially viable (must have revenues and profits at least 1 of the past 3 years); principal must be engaged full-time in the business.

## **Issue 2**

### **Lack of State Incentives for Existing SME Retention and Expansion**

Existing state incentives programs were primarily designed to recruit broadly-held stock corporations to Florida. Incentives offered are designed to provide credit for direct jobs created against corporate tax liability.

Only C Corporations pay corporate taxes to the state. 99% of all businesses in Florida are organized as other than C Corporations and are not eligible. Most Florida businesses are LLCs, LLPs, Sub Chapter S or Sole Proprietorships.

Growing trend in business to use leased and contract workers prevent eligibility since credit is only for "DIRECT" jobs created.

#### **Recommendations:**

- ❖ Design a new "SME Portfolio of Incentives" Programs Focused on SME Expansion and Retention
- ❖ Direct Loans and Loan Guarantee Programs
  - \* In addition to a \$500 million Bond Authorization for Revolving Loan Program and \$50 million for an Emergency Bridge Loan Program, other incentives proposed include:
- ❖ R&D Matching Grants
  - \* \$4 million SBIR Phase II Matching Fund Program
- ❖ Technical Assistance for Exiting SMEs and Entrepreneurship Training Programs
  - \* \$3.8 million Match Florida SBDC Network-Technical Assistance
  - \* \$750,000 FL Office of Advocate and Regulatory Advisory Council
  - \* \$500,000 Match for SBA Business Turnaround Pilot Program
  - \* \$500,000 Match for Florida Procurement Technical Assistance Center Program
  - \* \$3 million Match for Technology-based Incubator Loan and Grant Program
  - \* \$2 million Enterprise Florida International Trade Office
- ❖ Modify Eligibility Requirements for Existing FL Economic Incentives, Loan and Grant Programs
  - \* Eligibility: Incorporated business in FL for at least 3 years (including LLC, LLP and Sub Chapter S Corporations)
  - \* Replace "Number of Employees" requirement with "Number of FTE Workers" to allow for contract labor. SMEs with 1 to 10 workers eligible for participation.
  - \* Tax rebates for job creation on corporate, sales, use and utility taxes.

**Issue 3**  
**Stable/Favorable Small Business Climate**

FL-based SMEs have difficulty competing for State of Florida contracts against similar sized SME from other states due to higher operating costs in Florida.

No single database of state contracting opportunities makes it difficult for SMEs to track agency RFPs.

State practice of Contract "Bundling" precludes bidding by many SMEs (i.e. IT services and hardware, architectural design and construction).

**Recommendations:**

- ❖ 2 Year Moratorium on Unemployment Compensation Rate Increases much higher cost to the state if Florida SME are unable to keep Florida's workforce employed.
- ❖ 20% Set-aside for state contracts for FL-based SMEs located in the state for at least 3 years.
- ❖ 10% "FL-based SME" subcontracting clause in state contracts awarded to large vendors and suppliers.
- ❖ SME Set-asides for State Workforce Training Funds
- ❖ Raise state contract bonding requirements only to awards over \$500,000
- ❖ Allow state agencies to negotiate with qualified FL-based SMEs if lowest bid is received from an out-of-state firm. Award contracts to FL company if within 15% of the lowest bid.
- ❖ End practice of Contract Bundling by State Agencies i.e. Separate state IT services contracts from hardware purchases and "design and build" requirements on construction projects.
- ❖ Eliminate burdensome fees and some of the more than 30 state taxes on small businesses.
- ❖ Expand Department of Revenue's workout department to assist small businesses having difficulty paying state taxes with extended payment plans verses placing state tax liens against their assets.
- ❖ Mandate state agencies reduce or waive fees tied to new rules.
- ❖ Create a State of FL website listing all RFPs and a mechanism for small businesses to pre-qualify as approved vendors (similar to the federal process)
- ❖ Aggressively pursue those businesses committing tax fraud.
- ❖ Create and maintain a website listing all State of Florida financial and technical assistance incentive programs, listing eligibility and amounts available
- ❖ Tax Rebates (tied to job creation) on Telecom and Utility Expenses as an Incentive for SME Job Creation
- ❖ Cap on Maximum Annual Real Estate Tax Increases on Commercial Property Occupied by SMEs
- ❖ State Appropriations for the FL SBDC Network, Florida Procurement Technical Center and Technology Incubator Network to Expand Technical, Management, Contracting, SBIR and Entrepreneurship Training Assistance for SMEs.

## **Issue 4**

### **Affordable Health Care Coverage**

Skyrocketing premiums and prospect of mandatory insurance for most workers are leading to a very unstable environment for SMEs attempting to expand, and in some instances, has led to the closure of others.

#### **Recommendation:**

- State to negotiate with the State's employee health insurance provider to extend the same rates and benefits afforded state employees to SMEs based in FL

## **Issue 5**

### **State Regulations**

Until FY 2009-10, on average state agencies proposed 500 new rules or rule modifications on an annual basis affecting small businesses. Most of these rules included adverse impacts, including increased fees, fines, and administrative expenses.

Further, small business complained about the redundancies in applications that needed to be filed with multiple state agencies, as well as the lack of understanding by agencies of the burdensome costs associated with filing applications, reports and even requests for exemptions to rules.

One issue mentioned by several SMEs was the frustration over the growing trend in Florida to transition community colleges to four-year state colleges. They expressed concern with both the cost of these transitions and the loss of specialized skills training programs typically offered at community colleges but not at four-year colleges or universities.

#### **Recommendations:**

- ❖ Reduce overlap of state agency rules.
- ❖ Restrict regulations that add cost to doing business in Florida
- ❖ State law establishing a requirement which limits state regulatory costs for all combined business regulation not to exceed 7% of a small businesses adjusted gross revenues.
- ❖ State law allowing businesses with fewer than 50 workers to be exempted from all new fees.
- ❖ Place a moratorium on further approvals allowing community colleges to transition to 4 year state colleges.



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