



Nikki R. Haley
Governor

SOUTH CAROLINA
DEPARTMENT OF COMMERCE

Robert M. Hitt III
Secretary

South Carolina Department of Commerce
Small Business Testimony
before the
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Preamble

The South Carolina Department of Commerce respects and appreciates the Subcommittee's interest in small business in rural America, and in South Carolina. We would like to thank Congressman Rice and the other Subcommittee members, and their staff, for this opportunity.

The South Carolina Department of Commerce is heavily engaged in support of small business in South Carolina, and in rural South Carolina. We recognize the impact of over 280,000 non-employer firms, and over 90,000 employer firms with less than 100 employees, employing half of all the South Carolina private sector labor force. Moreover, the 2010 census showed that thirty-three percent (33%) of South Carolinians live in a rural area. Small business is an integral part of South Carolina's economy in employment, wages, investment and revenue, and equally so for rural South Carolina.

The SC Department of Commerce (Commerce) in recent years has been increasingly focused on a broader range of economic development opportunities, including and especially small business support. In 2004 the Commerce created the *Small Business Ombudsman's Office*, and then in 2011 created the full *Small Business and Rural Development Division*. As Commerce has instituted initiatives aimed at supporting small business growth, the Agency has remained cognizant of *rural* small business impacts and outreach.

South Carolina Department of Commerce and State Initiatives

The following initiatives typify the Agency's interest in and commitment to the start-up, sustainment, and growth of small business in South Carolina, and in rural South Carolina. They are provided in the spirit of sharing with other communities and states, practices which may benefit small businesses in their rural communities. The SC Department of Commerce is

pleased to provide additional specific information to any local, state, regional or national entity interested in furthering support for small business.

The Commerce division of *Small Business and Rural Development* is actively engaged in a variety of support, from direct one-on-one counsel, to regional and state-wide small business events, to web related outreach and resource consolidation.

Commerce begins by looking at the structural elements for small business success. These are the same for small businesses in rural areas, and apply equally to the diversity in small business, whether ethnicity, gender, veteran, etc. These elements are:

- General business planning
- New business, marketing and business development
- Financing
- Operations (product/process and administrative)
- Workforce development
- Regulations, permits and licenses

The work carried on by the Agency seeks to connect programmatic support for each of these elements with the small business community.

Small Business Advisory Council

Commerce established the Small Business Advisory Council to improve and coordinate statewide support and resources for small business. The Council provides insights on the needs of small business, and coordinates with Commerce to focus on those needs. Members include agencies and organizations engaged in daily support of small business, making them attuned to both needs and delivery. They include:

- U.S. Small Business Administration (SBA)
- U.S. Department of Agriculture (USDA)
- SC Small Business Development Centers (SBDC)
- SC Manufacturing Extension Partnership (SCMEP)
- Michelin Development Corporation
- SC Department of Commerce

The Council provides diversity in geographic representation, obtaining rural perspective from the USDA, SBA and SBDCs. The council meets quarterly with the most recent focus being on the best means of connecting financing resources to small business. Offshoots being the Lender Matchmaker program and the SCBizNetwork outlined further below.

Direct Company Contact

Commerce provided through its Small Business Development staff direct assistance to inquiries from South Carolina businesses. These may be direct from the companies, or may come from economic development allies throughout the state. These inquiries cover all of the areas of special interest and support for small business.

The largest number of inquiries, one-third, represent requests for new business and supply chain assistance, while other requests relate to financing, regulatory questions and other general operations and business plan advice. Additionally, 15% of all the one-on-one requests received came from rural counties. Their needs dovetail with the larger state small business interests.

BuySC - Supplier Outreach

BuySC is a specific program which matches business opportunities for South Carolina companies, especially small businesses, through both a supplier database program and supplier outreach events. The Agency provides “buyer” companies with a strong group of potential, and diverse, suppliers. Likewise, small business “suppliers” are introduced to buyer companies as well.

BuySC program maintains a database of specific company information, from NAICS codes to company quality designations. Businesses can sign up on-line, providing information, which Commerce uses to match in-state buyer needs, as they are received. The on-line aspect is continually publicized, encouraging businesses from across the state to sign up. There are no fees involved.

Additionally, Commerce holds outreach sessions on behalf of buyers, whether Boeing, Continental Tire. or Wal-Mart aimed specifically at letting South Carolina small business know about the opportunities available at an OEM, tier one or two company. Commerce also partners with the SBA and SC Chamber of Commerce in helping product a Salute to Small Business, a matchmaking event for large and small businesses, associated with the SBA’s Small Business Person of the Year Awards.

These buyer needs might be a service, part, raw material or process. The outreach events are widely advertised, including to rural counties and diversity-oriented organizations. Commerce has held or directly supported 10 of these larger events over the last three years, involving over 1,000 small businesses.

Commerce also works with local communities to help connect public project spending with sub-contractors and suppliers. After a penny sales tax increase was voted in, Commerce lead the effort in rural Marion County to have the project director and county planner host an open solicitation information meeting inviting all area contractors and sub-contractors to hear the details on each of 12 projects. The goal was to make sure local contractors and suppliers had an opportunity to compete for the project.

Financing - Lender Matchmaker Events/Capital Access

In cooperation with local economic development offices, local chambers and other business organization, and the Federal Reserve – Richmond, Commerce has spearheaded seven Lender Matchmaker events across the state. These events consist of *lender panels*, *peer to peer panels*, and a speed-dating session for small businesses and lenders. The object is to educate

businesses on lender requirements and opportunities, and then allow for one-on-one meetings between lenders and businesses. The goal is for businesses to find the financial information, and the financing, they need to start and/or grow their businesses.

This idea started with the Small Business Advisory Council, and has included participation from 184 small businesses, 166 banks and 104 service providers. Twenty-one (21) rural counties were included in the seven Lender Matchmaker events. The Federal Reserve is conducting a longitudinal study on several of the sessions to help determine who has obtained information that forwarded the company's business plan, or lead to success in obtaining financing. Exit surveys of both lenders and small businesses yielded an average 4.7 satisfaction score out of a possible 5 - with 5 being "Most Useful".

More Lender Matchmaker events are planned for 2014 and continuing.

SCBizNetwork.com

Access to useful small business information, especially for the rural business community, can be a challenge. To make information more accessible Commerce created an interactive website, *SCBizNetwork*. Here businesses can find assistance in answering many of their business questions, including: business planning, financing, and vendor and supplier development.

The *SCBizNetwork* site contains a "Resource Guide" of all state business resources, e.g. marketing assistance, finance, business planning, and workforce support. The site also hosts a "Resource Finder", where the user can self-select criteria of interest and the program prints out a road map of resources that can address the need. For example a business might be looking for a \$150,000 loan, and they want to see who the potential finance providers are with a 50 mile radius; the Resource Finder provides those leads.

SCBizNetwork also hosts a calendar of small business events; 512 small business related events were posted in 2012. The site also houses the BuySC supplier/buyer surveys, a Question and Answer section for on-line business questions, and a link to the state's Small Business Regulatory Review Committee. The site has received an average of 1,615 visits per month. The site is intentional about its availability to all South Carolina Counties, including rural South Carolina.

SC Regulatory Review Committee

In 2004, South Carolina passed the Regulatory Flexibility Act. This act established the SC Small Business Regulatory Review Committee, (supported by Commerce staff). The Committee, 11 small business persons, is dedicated to reviewing all proposed state regulations for adverse impact on small business.

While this effort is statewide in nature, the net effect is that rural small businesses benefit evenly with other small businesses, as their costs of operation are hopefully held in check, vis-à-vis, any onerous regulations where small business was not considered. The Committee has

reviewed and commented on a variety of regulations, e.g. worker's compensation, in-home day care, underground storage tank regulations, and the definitions of contract labor.

In the last two and a half years the Committee has reviewed 201 proposed regulations.

State Trade and Export Promotion (STEP) Program

STEP is an SBA-originated program designed to help small businesses penetrate foreign markets with their goods and services. South Carolina successfully applied for and received SBA funds for this program in-state. In the two years of the program SC Commerce has provided export assistance to 59 small to medium sized SC companies, entering 24 different markets, resulting in \$3.7 million in export sales. Fourteen Percent (14%) of the companies were located rural counties in South Carolina.

County presentations: getting the message out

Commerce is active in making local presentations to small business and community leaders about the various resources offered to small business. One of the Small Business Development staff just completed a swing through the Northeastern part of South Carolina, a predominantly rural area of the state, over a four month period speaking to four different business and community groups on how to access specific support for their businesses.

Existing Industry Visitation

Part of the work of the Small Business and Rural Development division includes an existing industry call program. Commerce representatives call on manufacturers across the state, primarily larger employers, looking for expansion opportunities and problems and concerns. The state wants to address both very quickly to minimize a lay-off situation, or to provide comprehensive support for an expansion opportunity.

Existing Industry staff has called on 47 companies in 20 rural counties since the program's inception in 2012. This is 28% of all existing industry visits, in almost half of the state's counties. These companies, many larger than 100 employees provide vital support for the small business infrastructure in a rural community.

Emergency Support Function (ESF) 24 – Business and Industry

Commerce coordinates ESF-24, helping coordinate public and private sector response in support of the business community in case of an emergency or natural disaster. One area of focus is getting assistance to small businesses as quickly as possible, as the closure rate for adversely affected small businesses following a disaster is high.

Commerce spearheaded business support for a downtown fire that destroyed fire eight structures, affecting 22 small businesses in coastal Georgetown County. Insurance, finance, local government, the SBA and the Small Business Development Centers were all involved in assistance. While not a rural county per se, this is the type of service available to urban and rural communities.

Community Development in Rural South Carolina

The work of Community Development can have a direct impact on small business. Small businesses in rural communities quickly feel both plant lay-offs closures and new economic development projects that come to fruition.

Product Development

The Dept. of Commerce has been involved in product development for years providing financial support for speculative buildings, industrial park development and even redevelopment of rural downtowns.

During the first six months of 2014 the Rural Product Development Initiative will be launched. \$2 million has been designated from the state's Rural Infrastructure Fund for this competitive grant program. Eligible rural counties may apply for up to \$350,000 to support the development of speculative buildings (at least 50,000 sq. ft. in size), industrial park upgrades or pad-ready sites. Counties developing 100,000 sq. ft. speculative buildings may apply for up to \$500,000.

Site Certification

The Dept. of Commerce provides financial support to rural communities to help offset the costs associated with site certification. South Carolina's site certification program has been recognized by Area Development magazine as the #1 site certification program in the country.

Education

Commerce provides two educational opportunities for rural leaders and those involved in rural economic development, the South Carolina Rural Summit (160 community leaders), and the South Carolina Economic Development Institute (60 community and ally leaders will attend the 2014 session). Both include components which cover the importance of small business to the rural community, and discuss ways to support those businesses locally.

Partners

South Carolina Small Business Development Centers (SBDC)

The SC SBDC is recognized as the gateway provider of small business assistance driving entrepreneurial growth and success. Commerce considers the SBDC to be on the front line of technical face to face business assistance, helping companies with everything from QuickBooks to government procurement. The SBDC operates through 17 offices across South Carolina, covering every area of the state. The SBDC advises companies on business planning, new markets, and financing and cashflow, among other areas. The SBDC can also offer advice on exporting and technology commercialization. Commerce provides a grant to the SBDC, expressly to support rural initiatives and outreach within eight rural South Carolina counties: Cherokee, Chester, Lancaster, Union, Chesterfield, Darlington, Lee and Williamsburg. www.scsbdc.com

SC Business One Stop (SCBOS)

SCBOS is a true One Stop for starting a business. In addition to getting general reference information on starting and growing a business, the site's unique feature is the ability to get tax payer ID numbers, file for LLC incorporation, and conduct various other on-line filings with the Department of Revenue, Department of Health and Environmental Control, Department of Employment and Workforce (unemployment insurance tax filings), and others.

The purpose behind SCBOS is to allow persons to deal with a variety of permits and licenses without having to travel from agency to agency. A small business can effectively get started and operate from any rural setting in South Carolina, all on-line. Commerce is a part of SCBOS Executive Advisory Board. www.scbod.sc.gov.

SC Manufacturing Extension Partnership (SCMEP)

The SCMEP is a 501 C 3 chartered to provide technical production and process support to South Carolina's Small and mid-sized business community, focused primarily on manufacturing. (There is one in about every state.) They operate under the auspices of NIST (National Institute of Standards and Technology), and are generally funded a third state, one third federal and one-third from fees. Manufacturers with fewer than 100 employees are one of the SCMEP's prime targets, which make them available to all of rural South Carolina. The SCMEP is a very effective organization as a positive change agent. (A Small Business and Rural Development staff member serves on the SCMEP Board.)

Areas for Federal Consideration

Several suggestions are offered for federal consideration that could have positive benefit for rural small business.

Support for the SBDCs and SCMEP

Greater recognition and support of the SBDCs and SCMEP should be considered for these institutions. They provide frontline support for small businesses, and have comprehensive offerings for clients from specific issues like how to obtain a federal contract (SBDC), or training in LEAN manufacturing (SCMEP); to more general, but equally important, providing business plan advice (SBDC), or a full business competitiveness review (SCMEP). More resource allocation could be made to both organizations in direct support of business in rural counties.

These organizations have the opportunity to provide needed technical advice to small business in rural communities.

Regulatory Burden

The regulatory burden on all small businesses is significant; all federal agencies should continue to examine their regulations for adverse impact on small business. The frequent unintended consequence of regulations can affect rural small business in

particular. As an example, when a regulation or law is made requiring all real estate appraisers to have a four year bachelor's degree, this requirement by default can put those in rural communities at a disadvantage. The candidate must now have the four year degree. Those who enter the profession are also most likely to become small businesses themselves. This example illustrates the impact changes to professional certification can have on an industry and group of professionals, and their opportunity to start a business or break into a profession.

Other regulations that impact small business often stem from the reporting requirements of agencies like the EPA or OSHA. No one wants worker safety or the environment to be compromised. However, comprehensive review of all proposed regulations can serve small business well.