



Written Report 2019

HB2444



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House Bill 2444 requires the executive director of the West Virginia Development Office to prepare and submit three biennial reports to the legislature starting on the last Monday of January 2017. This is a second report in the series due for year 2019. The executive director is required to respond to six directives set forth in the bill based on the office's experiences with small business during the previous reporting cycle. For the purposes of this report, the previous reporting cycle is calendar year 2018, unless otherwise noted.

* Report data has been compiled from the U.S. Bureau of Economic Analysis, U.S. Census Bureau, West Virginia Development Office and WWSBDC Neoserra database.

Loan programs, grants or other funding sources that economic development representatives connected small businesses with since 2017 report

1

WEST VIRGINIA DEVELOPMENT OFFICE

West Virginia Small Business Development Center (WVSBDC)

In 2017 and 2018, West Virginia Small Business Development Center (WV SBDC) Business Coaches assisted clients with \$71,576,919 of capital invested into their businesses:

- 36 United States Small Business Administration (SBA) loans totaling \$3,455,200
- 137 non-SBA loans totaling \$31,634,715
- 222 equity capital investments (owner investment, venture capital, grant, other equity investment) totaling \$36,487,004.

International Division

The West Virginia Development Office was selected by the U.S. Small Business Administration (SBA) to receive \$250,000 from the agency's State Trade Expansion Program (STEP) to support West Virginia small businesses looking to enter or expand in the global marketplace. (International)

Workforce Development Division

During fiscal year 2018, GGWFP provided 53 businesses with funding that delivered specialized training to 2,092 workers. In turn, the state invested more than \$1,131,850 towards improved workforce quality. Additionally, participating companies invested more than \$3,064,289 in approved training programs.

West Virginia Economic Development Authority

The West Virginia Economic Development Authority has 125 active loans and have funded \$14,730,395.36, this fiscal year to date.

West Virginia Statistics

- Total number of small businesses: 114,391 Rank: 43
SOURCE: Census Bureau 2015 Statistics of US Businesses; 2015 Nonemployer Statistics
- Percent of all businesses that are small: 98.89% Rank: 47
SOURCE: Census Bureau 2015 Statistics of US Businesses; 2015 Nonemployer Statistics
- Percent of Employment from Small Businesses: 49.6% Rank: 22
SOURCE: Census Bureau 2015 Statistics of US Businesses
- Average Number of Employees per Small Business: 2.4 Rank: 5
SOURCE: Census Bureau 2015 Statistics of US Businesses
- Percent Change in Private Sector Employment : 0.6% Rank: 32
SOURCE: Bureau of Labor Statistics 2018 Current Population Survey
- Median Income of a Self Employed Individual in an Incorporated Business: \$ 42,418 Rank: 46
SOURCE: Census Bureau 2016 American Community Survey

Loan programs, grants or other funding sources that economic development representatives connected small businesses with since 2017 report (continued)

1

- Median Income of a Self Employed Individual in an Unincorporated Business: \$19,962 Rank: 48
SOURCE: Census Bureau 2016 American Community Survey
- Number of New Establishments: 888 Rank: 44
SOURCE: Bureau of Labor Statistics Business Employment Dynamics, 2016 Q3
- Number of New Jobs from New Establishments: 3,788 Rank: 41
SOURCE: Bureau of Labor Statistics Business Employment Dynamics, 2016 Q3
- Percent of Exporters that are Small Businesses: 76.1% Rank: 47
SOURCE: International Trade Administration 2015 Exporter Database
- Percent of Export Value from Small Businesses: 25.4% Rank: 37
SOURCE: International Trade Administration 2015 Exporter Database
- State GDP Growth: 2.9% Rank: 26
SOURCE: Bureau of Economic Analysis 2017
- State Unemployment Rate: 5.4% Rank: 48
SOURCE: Bureau of Labor Statistics 2018 Current Population Survey
- Share of Manufacturing Employment from Small Businesses: 38.7% Rank: 36
SOURCE: Census Bureau 2015 Statistics of US Businesses
- Average Number of Employees per Women-owned Employer Business: 8.6 Rank: 17
SOURCE: Census Bureau 2015 Annual Survey of Entrepreneurs
- Average Number of Employees per Veteran-owned Employer Business: 11.6 Rank: 11
SOURCE: Census Bureau 2015 Annual Survey of Entrepreneurs
- Average Number of Employees per Minority-owned Employer Businesses: 10.1 Rank: 9
SOURCE: Census Bureau 2015 Statistics of US Businesses
- Share of Professional Services Employment from Small Businesses: 71.0% Rank: 11
SOURCE: Census Bureau 2015 Statistics of US Businesses
- Share of Mining Employment from Small Businesses: 23.9% Rank: 46
SOURCE: Census Bureau 2015 Statistics of US Businesses
- Growth of the Number of Proprietors: 1.8% Rank: 42
SOURCE: Bureau of Economic Analysis 2016

Inquiries, requests for assistance or other matters that other state or federal agencies have presented to the West Virginia Development Office in connection with efforts to regulate or assist small businesses.

2

The WV SBDC is working with the West Virginia Secretary of State's Office to provide general business startup information to new businesses through the Business One Stop.

Issues with formation, registration and licensure requirements that state law imposes on small businesses that small businesses have identified as burdensome.

3

One of the most common inquiries received by the WV SBDC's Business Ask Me line is regarding the type of corporate structure that is the best fit for a new business owner. The Office of the Secretary of State has introduced the "Business Startup Wizard" as an online tool to assist new business owners with better understanding the legal structures available to them when registering their new business.

Specific forms, processes or requirements imposed by state law that small businesses have identified that may be streamlined, simplified, combined or eliminated in order to reduce unnecessary costs, delays or other burdens on small businesses.

4

While many new businesses have benefitted from the expedited services of the Secretary of State's Office for business registration, the backlog at the West Virginia Tax Division has become unworkable.

Proposals describing concrete and specific steps that any branch, agency or level of state government may take to streamline, simplify, combine or eliminate the forms, processes or requirements.

5

The West Virginia Development Office reports no proposals specifically related to streamlining business formation and operations for small business in West Virginia.

The following information related to the immediately preceding reporting cycle.

6

a. Number of small businesses counseled by the West Virginia Development Office:

The West Virginia Small Business Development Center reported the following for 2017 and 2018:

- Total clients counseled: 2,413
- Total client hours: 17,377
- Total number of training events: 173
- Total training attendees: 933

The International Export Promotion Program team provided counseling to 152 small businesses in the reporting period.

b. Number of new businesses created while being counseled by the West Virginia Small Business Development Center in 2017 and 2018:

- 260

c. Number of jobs created by businesses counseled by the West Virginia Development Office in 2017 and 2018:

- 4,763 by Business and Industrial Development and International Division (2017 to present)
- 1,030 by Small Business Development Center
- 353 jobs retained by Small Business Development Center

The following information related to the immediately preceding reporting cycle (continued).

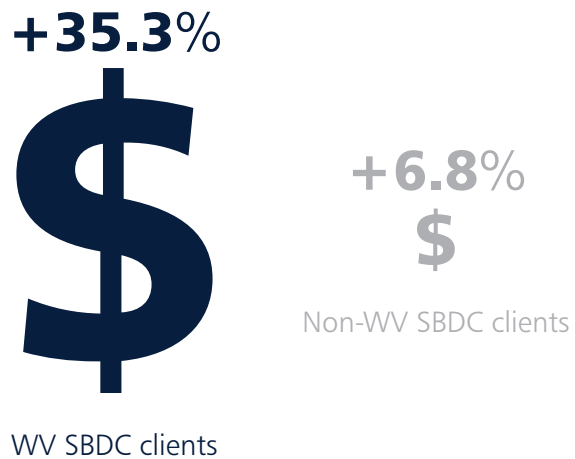
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d. Any other information that, in the opinion of the executive director, demonstrates the performance of the West Virginia Development Office or its representatives:

- Sales increases for SBDC clients vs. non-clients
- Employment increases for SBDC clients vs. non-clients

Sales for WV SBDC clients increased by 35.3% compared to a 6.8% increase for West Virginia businesses in general from 2016 to 2017.

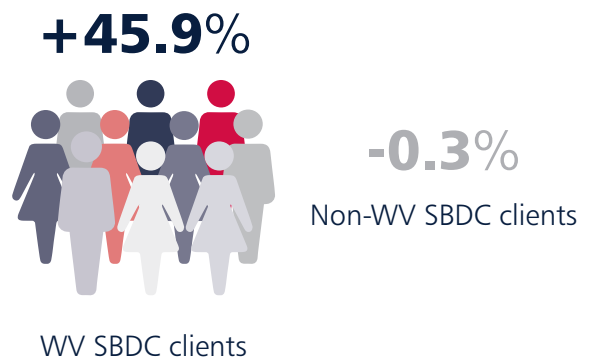
SOURCE: *ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER COUNSELING ACTIVITIES IN WEST VIRGINIA: 2016-2017, James J. Chrisman, Ph.D., Mississippi State University*



- Areas of Consulting provided to businesses

Individuals employed by WV SBDC clients grew by 45.9% compared to all WV businesses, which lost 0.3% of those employed from 2016 to 2017.

SOURCE: *ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER COUNSELING ACTIVITIES IN WEST VIRGINIA: 2016-2017, James J. Chrisman, Ph.D., Mississippi State University*



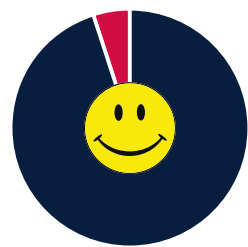
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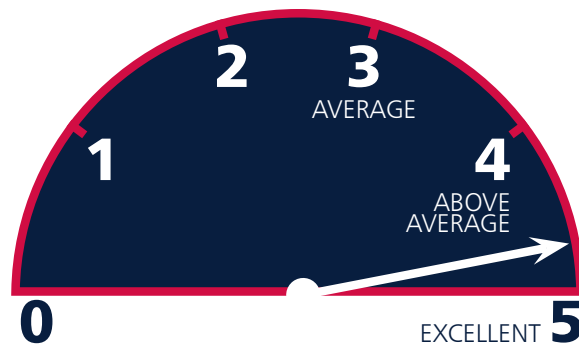
- Client Satisfaction



- Tax revenues increased as a result of the performance of SBDC clients



95%
say that WV SBDC services were beneficial



Clients gave a rating of **4.76** out of a possible 5 on the knowledge and expertise of their coaches

100% indicated they would recommend WV SBDC services to others

SOURCE: ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER COUNSELING ACTIVITIES IN WEST VIRGINIA: 2016-2017, James J. Chrisman, Ph.D., Mississippi State University

The following information related to the immediately preceding reporting cycle (continued).

6

- Established business clients yielded \$1.4 million in increased tax revenues
- Pre-venture clients who started new business yielded \$2.6 million in increased tax revenues
- Every \$1 spent on the SBDC program leverages \$17+ in new capital raised
- Every \$1 spent on the SBDC program generates \$2.96 in tax revenues
- Since the beginning of 2017, the Business and Industrial Development and International Divisions facilitated the retention of 4,763 jobs in West Virginia and the Small Business Development Center facilitated the retention of 353 jobs.
- Since 2017, the Development Office has attracted over \$5 billion in new investments spanning 116 projects, welcoming 31 new companies and securing 134 competitive expansion projects. This activity resulted in the creation of more than 3,600 new jobs and retained over 4,700 existing jobs.
- The following statistics relate to the most recent West Virginia economic metrics:
 - Gross State Product (GSP) for private industries increased by more than \$1.5 billion or 2.9 percent (2016-2017).
 - West Virginia's total personal income increased by \$5.6 billion, or 8.4 percent (2016-2018).
 - West Virginia per capita income increased by 7.7 percent (2016-2018).
 - West Virginia's median household income increased 2.4 percent (2015-2017).
 - West Virginia's educational attainment rate kept pace with the rate of change for the nation: a 0.7 percent increase (2015-2017).
 - West Virginia exports exceeded \$8 billion in 2018.
 - West Virginia exports grew 14.2% in 2018. U.S. exports grew 7.6% in 2018.
 - West Virginia exports grew 41% in 2017. U.S. exports grew 6.7% in 2017.

