



# Economic Impact • Small Business DIVIDEND



2010 Fall

On Average  
*Every Day*  
Florida SBDC Clients

- Create/Retain 36 Jobs
- Generate \$436,000 in New Sales
- Obtain \$483,000 in Financing
- Win \$1.25M in New Contracts
- Open 2 New Businesses

“Five out of 10 years, we have really been impacted by disaster, but the SBDC is always there to assist us,” said Richard Sanfilippo, owner of Sam’s Fun City in Pensacola.

#### Inside This Issue

Assessing the Florida Impact of the Deepwater Horizon Oil Spill .....	1
Economic Impact of Florida SBDC Service for Affected Oil Spill Clients .....	1
Florida SBDC Network Reaches Out to Businesses Impacted by the Oil Spill .....	2
SBDC in Tampa Assists Restaurant with Florida Emergency Bridge Loan .....	2
With SBDC Assistance, Sam’s Fun City Saves Seventy Jobs .....	3
35 SBDCs Serving Florida .....	4

## Assessing the Florida Impact of the Deepwater Horizon Oil Spill

By Rick Harper, Ph. D., Director, Haas Center for Business Research and Economic Development, UWF

Economic losses from the oil spill can be characterized as the difference between actual economic performance and the performance that would have occurred if the spill had not happened. Since the only dollar values for costs and revenues that we actually observe for a claimant are those that actually occurred after the spill happened, we have to rely on the tools of economics and statistics to project what a claimant’s likely economic performance would have been if the spill had not occurred. This “but for the spill” scenario, or counterfactual baseline, is different for different Floridians but there are some common elements.

The near to medium term profit outlook going forward is vastly better than before. Some of this improvement is due to changes in the national business cycle as the economy recovers. Federal Reserve data on profits after tax for nonfinancial corporate businesses shows them shrinking from the same quarter in the previous year for nine consecutive quarters beginning in July 2007. However, year over year profit growth rates for the last quarter of 2009 and the first quarter of 2010 were measured at 59% and 58%, respectively. For Florida, somewhat of the same pattern holds true. For Florida corporate income tax revenues to return to their long run trend levels, they would need to improve by 28% relative to recession-depressed 2009 levels. The August 12, 2010 Florida Revenue Estimating Conference (REC) projected that net corporate income tax collections for FY10-11 would rise by 21.8% from FY09-10 levels. This, along with the projected \$810M, or 5%, increase in sales tax general revenue, is a welcome change. Even with the economy recovering, the REC projects that it will be FY12-13 before the state returns to the sales tax revenue of FY07-08.

How can moderate sales increases, such as 5%, be associated with large increases in corporate income, such as 22%? Most businesses have costs regardless of how many customers they have and how much they spend. These might include the mortgage, property taxes, insurance, payroll for key staff, and other costs that don’t vary. This means that profits, measured as the difference between revenues and costs, are typically more volatile than overall consumer spending. The food costs that a Florida restaurant saves because it doesn’t have to purchase fish for diners who aren’t arriving due to oil-induced changes in vacation plans or fears about Gulf seafood might only account for 30% of the revenue earned from a seafood meal. A modest change in revenue might then be the difference between profit and loss.

Data on actual retail sales performance for Florida is now available for several of the affected months. If we look at bed tax revenue for the month of July, important patterns are clear. Data from the Clerk of Court shows that overall bed tax revenue collections for Escambia County (Pensacola MSA) from October 2008 until September 2009 are down 5.5%. This difference perhaps seems modest given perceptions of the severity of the damage. However, the 5.5% masks important differences due to timing and geography. If we look at more detailed data, the major beach zip codes (32561 and 32507) are down 44% when comparing July 2010 to July 2009. In contrast, the airport zip code (32504) was up by 33% for the same period. This difference is largely due to the different types of lodging available in different parts of the County and the presence of remediation workers in one and absence of tourists in the other.

Other differences might reasonably be expected in other parts of the State when comparing counterfactual baselines for different geographies and different kinds of businesses and different types of revenue streams. But for economic performance to be evaluated against what would have occurred absent the spill, we have to look at where that claimant, whether an individual, a business, or a local government, should have been economically in 2010, rather than where they were economically during the Great Recession.

## Economic Impact of Florida SBDC Service for Affected Oil Spill Clients

439 Clients Helped During 688 Counseling Sessions Totaling Over 2,439 Hours



200 Events Attended by 1,274,745 Attendees



185 Loan Applications Completed and 179 Loans Obtained Worth \$4,748,000



1,778 Jobs Retained and 15 Jobs Created



Sales Increased by \$5,179,537



## Florida SBDC Network Reaches Out to Businesses Impacted by the Oil Spill

The Gulf of Mexico and its bordering states were changed significantly on April 20, 2010. Nearly everyone in the world knows that change occurred because BP Oil experienced the largest and most costly oil spill recorded. The oil spill changed life as we knew it for all Gulf businesses—those that depended directly and indirectly on the Gulf for its bounty—from beaches to seafood and beyond. Thanks to the rapid rate of technology advancement, we quickly watched the oil attack our very way of life. We also began to sense the intense economic hit the coast would have to endure.

May to August was significantly different from those same months in years past. Historically, summers registered massive seafood sales, huge economic impact from tourism, and many others. The Florida SBDC Network and many of its centers, at least the ones serving the 26 counties declared disaster areas by Governor Crist, had a period unlike any other.

We now say, however, that the worst is over, and as an official member of Florida's State Emergency Response Team (SERT) ESF-18 Business and Industry, the Florida SBDC Network has worked diligently, since the beginning, to reach out to impacted businesses in numerous ways—

- The Florida SBDC Network Mobile Assistance Center (MAC) was deployed to Pensacola Beach to provide access to assistance for beach-based businesses.
- In support of the State of Florida's Emergency Bridge Loan program, the Florida SBDC Network partnered as the primary technical assistance provider with officials of Florida First Capital Finance Corporation (FFCFC) in support of the application process of small businesses.
- State Director Jerry Cartwright served on the Gulf Oil Spill Economic Recovery Task Force created by Governor Crist by executive order to facilitate efforts by Florida businesses and industries in recovering from lost business and revenues due to the Deepwater Horizon Oil Spill.
- Florida SBDC's partnered with the U.S. SBA to provide space for Business Recovery Centers and staff to assist business owners with SBA Economic Injury Disaster Loans.
- Florida SBDC's assisted business owners with the BP claims process.
- Members of the Florida SBDC Network spent many hours advocating on behalf of businesses impacted by the oil spill by participating in meetings with state government officials, making presentations to chambers and business groups, and interviewing with local and regional television, radio and newspaper reporters.



## SBDC in Tampa Assists Restaurant with Florida Emergency Bridge Loan

Walt's Seasonal Cuisine, a Pinellas County restaurant, has benefitted from Florida's Emergency Bridge Loan program. The loan program, coordinated locally by the Small Business Development Center at the University of South Florida (SBDC at USF) in Tampa, provided a much needed injection of cash to the restaurant for marketing initiatives they had planned to cope with current conditions.

Due to the effects of the oil spill the restaurant began to experience a decline in sales. The owner developed some aggressive strategies to help them cope with the downturn in business but they needed a little help to keep them afloat until their strategies flourished.

Florida's Bridge Loan is an interest-free loan for eligible businesses. These loans are processed for amounts up to \$25,000 and with a term of up to 12 months. The SBDC at USF was designated as the local agency for assisting clients with questions, gathering the required paperwork, creating, hosting, and managing the loan committee, and closing the loan for those impacted businesses in need of a Florida Bridge Loan. The SBDC provides assistance to small businesses in a variety of subjects including Business Continuity and Risk Management Program (BCRM). Floridaoilhelp.com was created to be the central source of information for businesses in the State of Florida with questions

Thanks to Florida's Bridge Loan program, the SBDC at USF and the efforts of the loan committee, dishes will continue to sizzle at Walt's Seasonal Cuisine.



The owner found information about Florida's Bridge Loan by contacting the U.S. Small Business Administration (SBA). The SBA guided the owner to the Florida Small Business Development Center Network on the Floridaoilhelp.com website. The owner's point of contact was SBDC Certified Business Analyst Alejandro Rodriguez. Rodriguez provided the restaurant owner with details on how to apply for the Bridge Loan, requirements for the Bridge Loan, and several other questions as the process moved along. The owner gathered the necessary documentation and forwarded the information to Rodriguez. The loan documentation was organized and presented to an independent committee which approved the loan.

related to the Bridge Loan. The Governor activated Florida's Small Business Emergency Bridge Loan program on June 7, 2010.

On August 20, the loan was signed for Walt's Seasonal Cuisine and a check was deposited in the restaurant's business account. Thanks to Florida's Bridge Loan program, the SBDC at USF and the efforts of the loan committee, dishes will continue to sizzle at Walt's Seasonal Cuisine.



## With SBDC Assistance, Sam's Fun City Saves Seventy Jobs

“Without the SBDC’s support, the business I’ve built would not have happened,” said Sanfilippo. “After the oil spill, Larry Strain was very helpful. He advised me to file a request for abatement for payments on our outstanding SBA loans. So from a cash flow standpoint, we were able to generate our cash flow for the company.”



Richard Sanfilippo, owner of Sam's Fun City, came to the SBDC at the University of West Florida (SBDC at UWF) in Pensacola in February 2004 desiring to be included in the Pensacola Venture Forum. He met with Larry Strain, Executive Director and Certified Business Analyst, to discuss presenting his business proposal to the Forum for \$3 million in investment for expansion of Sam's Fun City to include a water park. He was successful with the Forum and raised a \$1.2 million investment and got another \$1.7 million in debt capital from Gulf Coast Community Bank.

Sanfilippo again contacted the SBDC in 2004 after Hurricane Ivan for assistance with financial alternatives. He received information about the U.S. Small Business Administration's (SBA) Economic Injury Disaster Loan (EIDL) program and was given the loan application. Follow-up in February 2005 indicated that he received a disaster loan in the amount of \$107,600, and the water park was well underway.

Because of the negative impact Sam's Fun City was feeling following the BP Deepwater Horizon Oil Spill incident, Sanfilippo returned to the SBDC. He received information and counseling on the State of Florida's Small Business Emergency Bridge Loan Program which was activated by Governor Crist to provide emergency, short-term loans up to \$25,000, as well as the SBA's EIDL program. He quickly received a Bridge Loan in the amount of \$25,000 but didn't pursue the EIDL loan because BP had paid his claim in total. The BP money made the EIDL loan unnecessary.

Sam's Fun City had a complicated relationship with the oil spill and its effect. In May and June the effect was significant. Their summer season was dependent on tourism but once they realized it was going to be an *Oil-e summer*, they changed their entire advertising campaign to focus on the local market, which meant they would be competing for a larger piece of a smaller pie. They were able to get their numbers up for total people attending but profitability was down. It seemed they were doing a lot more for a lot less in revenue—local per capita was \$20 while tourist per capita was \$33. That meant a significant loss for the summer. “BP was pretty good about paying us, although initially they paid a little, and then paid what we were asking for,” said Sanfilippo. “With BP payments, we felt good about the year. Next year, however, we are planning for a catastrophe.” A lot of what happened last year was mitigated by people who had already booked. The real impact will come next year from poor bookings, so they are planning for a worse year than 2010.

“The SBDC is always the first place I head when anything like this happens. Without the SBDC’s support, the business I’ve built would not have happened,” said Sanfilippo. He added that SBDC support was wonderful. “I really was supported by the SBDC staff.”

Sanfilippo knows that Congress recently passed a bill authorizing new uses for SBA 504 loans so they are waiting for the final guidelines to be written by the SBA for capital expansion. He said, “We are looking at this for our future growth when it materializes.”

Sam's Fun City is changing their business model so they aren't so dependent on tourism. Look at the past—9/11, Ivan, Dennis, Katrina and the oil spill. The business has been open for 10 years and they have had 5 major impacts to their tourism business. He said, “Five out of 10 years, we have really been impacted by disaster, but the SBDC is always there to assist us.”

Sam's Fun City employs 50 people full-time year round and during the season (5 months in the summer) they hire an additional 20 employees and most are part-time. Seventy jobs were saved by the support received from the SBDC at UWF and Larry Strain's very effective counseling.



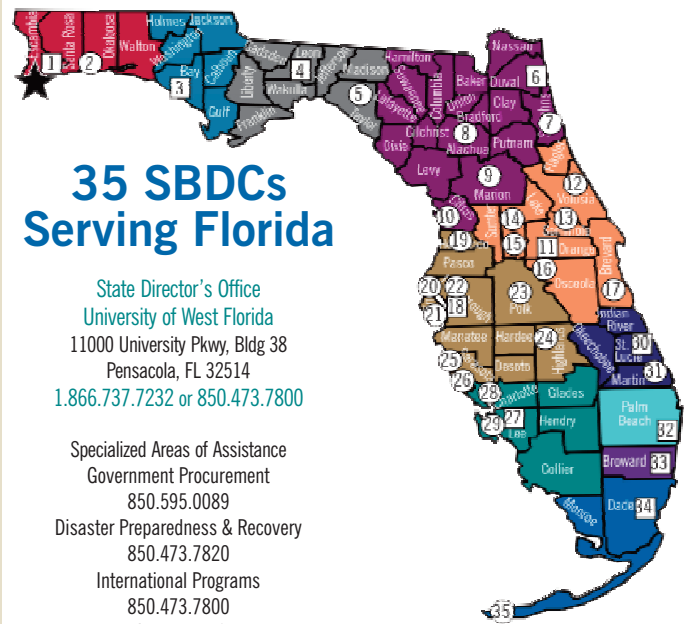


State Director's Office  
University of West Florida  
11000 University Pkwy  
Building 38  
Pensacola, FL 32514

HELPING BUSINESSES  
*Start, Grow & Succeed*

UNF Region	1	Pensacola 850.595.0063	UNF Region	13	Sanford 407.321.3495	UNF Region	25	Sarasota 941.363.7219
	2	Ft. Walton Beach 850.833.9400		14	*Leesburg 352.315.1846		26	Venice 941.408.1412
GCCO Region	3	Panama City 850.271.1108	GCCO Region	15	*Clermont 352.536.2224	GCCO Region	27	Ft. Myers 239.745.3700
	4	Tallahassee 850.599.3407		16	Kissimmee 407.847.2452		28	*Port Charlotte 941.627.2222
FAMU Region	5	*Perry 850.584.5366	FAMU Region	17	Melbourne 321.433.5570	FAMU Region	29	Cape Coral 239.573.2737
	6	Jacksonville 904.620.2476		18	Tampa 813.905.5800		30	Ft. Pierce 772.462.7296
UNF Region	7	St. Augustine 904.620.2476	UNF Region	19	Brooksville 352.796.0697	UNF Region	31	*Stuart 772.419.5694
	8	Gainesville 352.334.7230		20	Clearwater 727.453.7200		32	Boca Raton 561.862.4726
UNF Region	9	Ocala 352.622.8763	UNF Region	21	*St. Petersburg 727.873.4753	UNF Region	33	Ft. Lauderdale 954.762.5235
	10	Homosassa 866.998.8332		22	*Lutz 813.926.0827		34	Miami 305.261.1638
UNF Region	11	Orlando 407.420.4850	UNF Region	23	Bartow 863.534.5915	UNF Region	35	Key West 305.809.3156
	12	Daytona Beach 386.506.4723		24	Avon Park 863.784.7378			

\*Open less than 40 hours/week



## 35 SBDCs Serving Florida

State Director's Office  
University of West Florida  
11000 University Pkwy, Bldg 38  
Pensacola, FL 32514  
1.866.737.7232 or 850.473.7800

- Specialized Areas of Assistance  
Government Procurement  
850.595.0089
- Disaster Preparedness & Recovery  
850.473.7820
- International Programs  
850.473.7800
- Veterans' Business Outreach  
800.542.7232
- Business Technology Commercialization  
850.473.7805
- Small Business Resource Network  
www.sbrn.org
- Florida Small Business Advocate  
850.473.7817
- Florida Small Business  
Regulatory Advisory Council  
850.473.7816

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