



Testimony
of
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SBA's Entrepreneurial Development Programs

Chairwoman Velazquez, Ranking Member Chabot, Members of the Committee

Thank you for inviting me to testify today on behalf of America's SBDCs. I am the President and CEO of America's SBDC, the Association that represents the nationwide small business development center (SBDC) system.

For 40 years the SBDC network has been providing front line services to entrepreneurs and small business owners while growing and developing an infrastructure dedicated to assisting all small business owners. SBDCs focus on providing free one-on-one consulting and mentoring on how to improve, finance, market and manage their businesses. The result of our efforts, and the support of our host institutions and Congress, has been the establishment of a nationwide network of over 975 locations with over 4,000 dedicated professional counselors and business advisors that annually assist hundreds of thousands of small businesses and entrepreneurs in every state and territory representing every conceivable type of business.

How and Where SBDCs work

SBDCs operate out of host institutions, primarily colleges and universities, and they operate (with some exceptions) statewide. California and Texas are the exceptions having six and four regional networks respectively. The host institution manages the operations of its SBDC network through its sub-centers and many of those are at other colleges, community colleges and chambers of commerce. Those host institutions and their partners contribute matching funds that exceed the federal funding. Many SBDCs are based at the business schools of their respective colleges and universities providing the ability to leverage the skills and knowledge of the professors and students with the practical experience of our advisers.

Federal funding for SBDCs is allocated based on census data with a minimum funding level established for smaller states (VT, NH, SD, etc.)

SBDCs provide services to small businesses at all stages of development. The mix of businesses usually varies depending on the region and their unique characteristics. A good rule of thumb is that we have about a 60/40 mix of existing and nascent (start-up) entrepreneurs. Of course, these ratios vary due to economic conditions and external factors such as disasters or market conditions.

SBDCs assist small businesses of all types, in all demographics and all regions. About 45% of our clients are women, and roughly 10% of our clients are veterans. Every year we provide over one and a half million hours of counseling and training to over 500,000 small business owners and their employees.

SBDC assistance has provided significant results:

From 2012 to 2018 SBDCs have helped their small business clients obtain over \$30 billion in capital. They helped them increase their sales by over \$40 billion and helped them create over 538,000 new jobs. In addition, SBDCs have provided training to over 1 million entrepreneurs and their employees.

The services SBDCs provide tend to be more in-depth, and our relationships often span years. The services will change as the business grows and its needs shift. I could spend a great deal of time discussing all the services offered by the SBDC network, and even then, I am sure I would miss many important contributions, but I would like to highlight some of the specific services. More important, I'd like to discuss how we focus on why SBDCs provide the services they provide.

ACCREDITATION

SBDCs are unique in that they are subject to accreditation. Each SBDC network is required to undergo accreditation at least every five years. Each accreditation review involves a week-long examination by an accreditation team, a rigorous self-study, interviews and written reports. The reports are reviewed by our accreditation committee and SBA. Our accreditation standards are based on the NIST/Malcolm Baldrige Standards for continuous quality improvement. These standards monitor the skills of our counselors, the strength of our SBDC management, the commitment of our host institutions, the strength of and adherence to strategic plans, and SBDC effectiveness/customer satisfaction.

A key component of every SBDC's strategic plan is the needs assessment process. This focuses on the needs of our clients, the changing economy and ensuring that SBDC services keep up with needs of small business. As a result, SBDCs are offering a wide array of specialized services as well as general business advice. Let me touch on just a few of those services.

VETERANS

SBDCs prioritize assistance to veterans – approximately 10% of our clients are veterans. We have specialized programs in several states with large veteran populations (Texas, New York, Florida, and Arkansas for example) to assist veterans both pre and post deployment. A few great examples are Veterans EntreSkills and OORAH program in New York, and the pre-deployment preparedness program in Virginia. Veterans consistently make up a highly entrepreneurial demographic and often base their businesses on a skill set acquired while serving our nation's defense; we believe they have earned our special attention.

UNDERSERVED COMMUNITIES

The SBDC outreach to minority and underserved communities is also a significant priority. Our minority clientele comprises over 33% of our client base nationwide and our members support targeted outreach programs across the country. In New York for example, the SBDC network hosts the Organization for Latino Entrepreneurs (OLE) and in Maryland the SBDC network supported the Branch Avenue project, an inner-city business restoration program, as well as operating a Hispanic Business Center. In California our Humboldt University SBDC recently opened a Vietnamese Business Center.

RURAL OUTREACH

SBDCs are mandated to provide service to their entire state. Over the years SBDCs have recognized the difficulties faced by rural communities and have introduced initiatives to meet their needs. As an example, our Texas SBDC networks have hosted an annual Texas Rural Conference for the past four years in Waco and New Braunfels with a focus on bringing together economic development organizations to focus on the needs of entrepreneurs in rural communities. In the same vein, the Virginia SBDC supports a rural outreach program, the Small Town and Merchant Program to aid small independent retailers and restaurateurs-in small communities. Our Alabama SBDC network is initiating a Rural Strong initiative in cooperation with the USDA to expand its efforts in rural Alabama.

EXPORTS

Nationwide SBDCs have over 500 certified export assistance counselors to help small businesses reach the markets outside the US, where 95% of the world's markets reside. We partner with the US Census Bureau to provide training in US export regulations and in Massachusetts and Illinois, as well as other states the SBDC network is one of the key components of the state's export outreach program.

In New York, the SBDC runs an ambitious export program the International Business Development program or IBD. IBD has built a particular focus on helping small business access markets in China and has an office in Beijing.

We are also involved in an effort to spread the SBDC model. Working with the Department of State SBDCs have been helping establish small business support organizations throughout South and Central America, an initiative called the “Small Business Network of the Americas”. We consider this effort to have a vital role both in building markets and export relationships for our small business clients. As a result of our efforts, particularly through the South West Texas Border SBDC at UTSA we have helped establish small business development organizations in Mexico, Honduras, Colombia, Chile, Costa Rica, Belize, Guatemala and Panama.

DISASTER ASSISTANCE

One of the areas SBDCs are most proud of is our disaster assistance work. SBDCs play an integral role in disaster response and recovery across the country. SBDC counselors and advisers are often first on the scene helping set up business recovery centers and helping communities rebound from the damage. We work closely with state and federal agencies to make sure small businesses, the backbone of the community, are supported. In Florida, for example, the SBDC is designated as a primary disaster response organization. SBDCs don’t merely respond, SBDCs offer significant resiliency training and advising to our clients. Helping clients be prepared is often the biggest part of their recovery, and we recognize that that not every disaster comes from a hurricane or an earthquake. An office fire, a burst pipe, whatever can be just as devastating to an individual business.

CYBERSECURITY

Three years ago, SBDCs began a concerted effort to provide cybersecurity training to our clients. We recognized that small business owners were being hindered by a lack of clear information on their vulnerabilities and the methods to reduce their risk. As a result, SBDCs have developed assessment tools and training to improve small business cybersecurity and alleviate their risk. Our centers in Michigan, Florida, Kansas and Texas, as well as others have put significant resources into this initiative and we are working to spread best practices to centers nationwide. In addition, through the PTACs SBDCs support we make sure that small business contractors remain up to date on federal cybersecurity requirements.

PROCUREMENT

29 of the 94 procurement technical assistance centers operating across the country are supported by SBDCs. They offer in-depth assistance to small business owners trying to navigate the complexities of federal procurement. In addition, numerous SBDCs offer introductory courses on government contracting, and match making assistance for accessing government contracting opportunities. SBDCs also assist in navigating the 8(a), veteran-owned and women-owned business certification process.

PROGRAM METRICS

I could offer any number of “success stories” and in fact our annual report does. However, America’s SBDC knows the saying, “The plural of anecdote is NOT data” and we respect it.

We recently began collecting a new set of program metrics. Two of the metrics – ‘new business starts’ and “capital infusion” are holdovers. Two of them are new “jobs supported” and unique clients served”. This year, as we get adjusted to the new collections, will be a “baseline” year for this effort.

Our hope is to eventually have a larger discussion on the most efficient and effective ways to deliver services to small businesses. America’s SBDCs and its members don’t believe in a one size fits all approach to the delivery of services. We recognize our states and regions have different economies, resources and needs. What we believe is that the leveraging of the capabilities available must be accomplished in a more thoughtful and efficient fashion.

Small businesses are focused on the bottom line. Growth in sales, investment and hiring are key indicators. Obtaining capital is usually the key measure. America’s SBDC believes that access to capital is vital but, if that financing isn’t leading to an improved bottom line it’s just an output not an outcome.

In the SBDC network we judge our success by the impact we have in helping our clients increase their sales and increase their job creation. We are proud of our efforts to help clients attract financing, nearly 6 billion dollars last year alone. We firmly believe that these metrics should be the building blocks for assessing the effectiveness of any small business assistance program.

The Government Performance and Results Act requires federal agencies to gauge their performance, and their stewardship of taxpayer dollars, by using and tracking outcome measures. If an agency or group of agencies is going to operate entrepreneurial development and assistance programs, they must focus on the items important to small business success.

COLLABORATION

As I said, many SBDC networks collocate and work with SCORE or WBCs or operate PTACs. This cooperation and collaboration is vital. We refer clients regularly because none of us can be all things to all small businesses.

Virginia's SBDC network is a good example of the collaboration we try to achieve. In addition to veterans outreach the Virginia SBDC is collocated with the Women's Business Center of Northern Virginia, and advises small businesses in procurement, international trade and a host of other services. They also run STAMP, a program focused on rural Main Street merchants. SBDCs across the country offer procurement, rural tourism, energy conservation, international trade assistance.

SBDCs are always trying to expand and improve our services to support the growing needs of the small business sector and to adapt to a changing business environment, and so are our partners but, sometimes it seems circumstances are pitting us against each other rather than working together. Programs and initiatives often arise that seem to duplicate the efforts of existing programs and ignore capabilities that are already in place in existing networks. This is not anything new, it happens under every Administration. We believe that this happens because people don't realize what's out there already or that the foundation of the SBDC network and other programs is designed for expanded services.

REAUTHORIZATION

America's SBDCs strongly support reauthorization of SBA's Entrepreneurial Development programs. It has been about ten years since the programs were last updated and it is time to review, renew and reinvigorate the commitment to assisting small business.

I would like to point out a few areas where we believe SBDC services and our relationship with SBA, and other agencies could be improved to increase the support offered to small business.

1. Clarify and strengthen the SBA/SBDC partnership through clear negotiation and collaboration.
2. Clarify SBDC marketing and co-sponsorship abilities.

3. Set forth priorities and goals for the entrepreneurial development programs that reflect 21st century economics and opportunities.
4. Strengthen the ability for all federal agencies, and the SBA entrepreneurial development programs to serve all counties - Rural and inner city alike.
5. Increase SBA/FEMA disaster collaboration with SBDCs
6. Recognize the variety and scope of the entrepreneurial development programs and focus on broadening outreach rather than worrying about overlap.
7. Increase the SBDC authorization level to \$200 million, and our partners accordingly.
8. Involve SBA's ED programs in workforce development, and apprenticeships.
9. Support increases in ED program appropriations to build this capacity.

In closing, thank you for letting me share our thoughts. I look forward to your questions.