



Tarleton State University

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Before The:
House Committee on Small Business
Subcommittee on Underserved, Agricultural,
and Rural Business Development

Hearing Title:
"SBA DISTRICT OFFICE COLLABORATION WITH RESOURCE
PARTNERS"

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Chairman Golden, ranking member Representative Tenney, Representative Williams and members of the subcommittee, thank you for inviting me to submit testimony for today's hearing, "SBA District Office Collaboration with Resource Partners." I am grateful for the opportunity to discuss rural small business with you. It is clear by your participation on this committee that you all value rural small business as much as I.

My name is John (Bill) Leaverton. I am the Regional Director for America's Small Business Development Center (SBDC) at Tarleton State University in Stephenville, Texas. I represent some of the most rural counties and communities of the state and, in fact, the nation.

Role of the SBDC at Tarleton:

The SBDC has been a proven model of success since its inception in 1976. Tarleton has proudly hosted the SBDC since 1987. By design, the SBDC assists, in my case, rural entrepreneurs navigate the very difficult task of opening small businesses. Typically, these rural entrepreneurs want to open a business that will simply serve their rural communities. Therefore, margin for error is as small as is their access to capital. My primary focus is to create financial forecasting statements that are inserted into business plans for the purpose of obtaining a commercial loan. Our focus overall is to educate and help rural Texans open small businesses.

One of the benefits of being a resource partner with the SBA is the collection and coordination of information and data. Listed below, are the three reported metrics that show substantial impact the SBDC at Tarleton has on the local rural economy. During the 2021 year, the Northwest Regional Network of the SBDC in Texas achieved the following metrics:

1. Job Creation
The SBDC assisted in creating 1,414 primarily rural jobs.
2. Capital Investments / Financing
The SBDC assisted in injecting \$107M into the economy. A new record for the Northwest Regional Network.
3. New of Businesses Opened
The SBDC assisted in opening 230 businesses.

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Relationship with SBA:

The SBDC at Tarleton enjoys a collaborative relationship with the SBA. Many examples include:

- Daily informational updates provided by the SBA during the pandemic were instrumental in our ability to convey information to the general public. The SBA guidance for CARES Act resources was invaluable and allowed us to assist with small business survival.
- As Representative Williams can certainly attest, the SBDC at Tarleton was on the front lines consulting with countless of business owners throughout much of the 25th district during the pandemic.
- The SBDC at Tarleton considers the on-line webinar support the SBA provides instrumental in disseminating information and education.
- The guarantee programs the SBA supports, assist countless clients of the SBDC at Tarleton obtain necessary funding to open small businesses. **For example, the 504-loan guarantee program is extremely helpful to the rural business environment.**
- Prior to the pandemic, the focus on the opportunity zones program created much needed attention to the revitalization of rural areas.

Needs of the Rural Entrepreneur:

The needs of the rural entrepreneur are unique and unlike those of our urban counterparts. These needs dictate how the SBDC at Tarleton engages the rural entrepreneur.

The first need of the rural community is personal interaction. The rural community in general relies on this personal interaction to create trust. Trust in the rural community is earned over time. Consistent personal interaction can ONLY be gained through our continued presence. In order for the SBDC at Tarleton to be successful, we must interact in a face to face fashion. To further complicate matters, many in rural Texas have no accessible or reliable internet. Therefore, attending webinars or zoom meetings is limited.

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- For instance, I worked for seven months to build a viable business plan for a client that wanted to open a daycare facility in a community in very rural Texas. Opening this daycare facility resulted in \$260,000 injected into the economy, through a local lender loan, created 8 jobs, and allows rural parents to return to the workforce. This, all in a community of 500 people that had no prior, formal daycare. The majority of the communication held between myself and the client was either via telephone or in face to face meetings because the client has no access to reliable internet.

This type of interaction is not uncommon in rural Texas. This type of consultation requires lengthy, individual one on one effort. Unfortunately, we frequently underestimate the amount of human capital resources needed to assist these rural areas. As a result, we find ourselves in situations in which demand simply cannot be met under current conditions.

Another need of the rural community is long-term viable assistance. The CARES Act allowed the SBDC at Tarleton to meet an overwhelming demand for our services. Momentum and exposure created unprecedented demand (**Currently, a three week wait list**). Additional human capital (CARES Act personnel) assisted in meeting that demand. Now that the program assistance as it relates to the SBDC is expiring and the human capital along with it, we find ourselves in a situation where demand outpaces supply.

This results in a choice we must make. Service the more rural areas. Or, service the more urban areas.

Streamlining programs is another need of the rural community. Clients of the SBDC at Tarleton often times finds themselves navigating the many different programs available. Most of these programs find direct alignment with the mission of the SBDC. For instance:

- The Northwest Regional Network of the SBDC in Lubbock, Texas houses at least five different governmental programs under one roof. Most of those programs seek to accomplish seemingly indistinguishable goals. They are all assisting small business entrepreneurs fulfill their dream of small business ownership using very similar if not the same approaches.

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Many of these programs are funded using short-term goals. Therefore, once they become fully operational, they are near their expiration date. Programs such as the Navigator program are very well planned and intended. However, in my opinion, they duplicate the efforts of the SBDC and overlap geography. Mostly, they remove the necessary resources from the SBDC it needs to be even more effective.

Direct support is another area of need in the rural community:

- Recently, I was able to secure a \$300,000 grant from the USDA. The Rural Business Development Grant is designed to assist rural communities in thwarting urban population migration. This grant will enable the Stephenville Economic Foundation, Inc. to create a revolving loan fund (RLF) that will live in perpetuity. This fund will provide access to capital to small rural businesses in the area and provide much needed jobs.

Improving Upon Success:

The SBA is a successful organization. Its founding helps entrepreneurs. It helps the SBDC. Its loan guarantee program assists in funding many loans. In short, the SBA does great work. I choose to seek those things that are working and try to find ways to accentuate them. There are challenges in this arena, particularly, in rural communities. Finding ways to continue to strengthen programs that are working is essential to small business success in the rural setting. A friend of mine often says, "a digital correspondence creates a reaction. A phone call creates a conversation and a face to face meeting creates a relationship." Rural communities require relationships. In my opinion, we can improve upon the success of the SBA by the following:

1. Establish ways to provide direct access to capital for small and micro businesses in rural areas that do not have the fixed assets to obtain traditional financing, like the USDA grant program.
2. Streamline the various programs that can overlap the mission of the SBDC. Reducing duplicity will help the mission of the SBDC. Thereby making the communication efforts between the SBA, SBDC and the public more effective.
3. Create more SBDC programs that result in direct interaction with rural communities. And, provide longer term horizons for such programs. The SBDC at Tarleton is effective when present. We need to be present more often.

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In closing, I thank you for allowing me to testify before this committee. Your willingness to invest your time and talent on this committee is vital to the success of small business in rural communities. We spend our days attempting to assist those in need. You exemplify this notion.

* The views expressed within this testimony are my own and not those of the America's SBDC, Texas A&M University System or Tarleton State University.